

COMPLETE GENOMICS INC

Form 424B5

March 12, 2012

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Commission File No. 333-178728

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated January 24, 2012)

**\$30,000,000**

**Complete Genomics, Inc.**

**Common Stock**

We have entered into a sales agreement with MLV & Co. LLC, or MLV, relating to shares of our common stock offered by this prospectus supplement and the accompanying prospectus. In accordance with the terms of the sales agreement, we may offer and sell shares of our common stock, \$0.001 par value per share, having an aggregate offering price of up to \$30 million from time to time on The NASDAQ Global Market or other market for our common stock in the U.S. through MLV acting as our agent.

Our common stock is listed on The NASDAQ Global Market under the symbol GNOM . On March 8, 2012, the last reported sale price of our common stock on The NASDAQ Global Market was \$3.83 per share.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made in sales deemed to be at-the-market offerings as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, or the Securities Act, including sales made directly on or through The NASDAQ Global Market or other market for our common stock in the U.S., sales made to or through a market maker other than on an exchange or otherwise, in negotiated transactions at market prices prevailing at the time of sale or at prices related to such prevailing market prices, and/or any other method permitted by law. MLV will act as sales agent on a commercially reasonable efforts basis consistent with its normal trading and sales practices. There is no arrangement for funds to be received in any escrow, trust or similar arrangement.

MLV will be entitled to compensation at a commission rate of up to 3% of the gross sales price per share sold. In connection with the sale of the our common stock on our behalf, MLV may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of MLV may be deemed to be underwriting commissions or discounts.

**Before buying shares of our common stock, you should carefully consider the risk factors described in Risk Factors beginning on page S-10 of this prospectus supplement and the risk factors described in the documents incorporated by reference herein.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement and the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus supplement is March 9, 2012.

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**About this Prospectus Supplement**

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. We have not, and MLV has not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and MLV is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted or in which the person making that offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering, is accurate only as of the date of those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should read this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering, in their entirety before making an investment decision. You should also read and consider the information in the documents to which we have referred you in the sections of this prospectus supplement entitled "Where You Can Find More Information" and "Incorporation by Reference."

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part, the



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accompanying prospectus dated January 24, 2012, including the documents incorporated by reference therein, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or in any document incorporated by reference that was filed with the Securities and Exchange Commission, or SEC, before the date of this prospectus supplement, on the other hand, you should rely on the information in this prospectus supplement. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference into the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreement, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

All references in this prospectus supplement and the accompanying prospectus to Complete Genomics, the Company, we, us, our, or similar references refer to Complete Genomics, Inc., except where the context otherwise requires or as otherwise indicated.

This prospectus supplement, the accompanying prospectus, and the information incorporated herein and therein by reference, include trademarks, service marks and trade names owned by us (including but not limited to our logo, Complete Genomics, Complete Genomics Analysis Platform, CGA Platform, CGATools, cPAL and DNB ) or other companies. All trademarks, service marks and trade names included incorporated by reference into this prospectus supplement or the accompanying prospectus are the property of their respective owners.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights certain information about us, this offering and selected information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our common stock. For a more complete understanding of our company and this offering, we encourage you to read and consider carefully the more detailed information in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference in this prospectus supplement and the accompanying prospectus, the information included in any free writing prospectus that we have authorized for use in connection with this offering, and the information referred to under the heading "Risk Factors" in this prospectus supplement on page S-10, in the accompanying prospectus and in the documents incorporated by reference into this prospectus supplement.*

**Our Company**

We are a life sciences company that has developed and commercialized an innovative DNA sequencing platform. Our goal is to become the preferred solution for whole human genome sequencing and analysis. Our Complete Genomics Analysis Platform, or CGA™ Platform, combines our proprietary human genome sequencing technology with our advanced informatics and data management software and our innovative, end-to-end, outsourced service model to provide our customers with data that is immediately ready to be used for genome-based research. We believe that our solution can provide academic, biopharmaceutical and translational medicine researchers with whole human genome data and analysis at an unprecedented combination of quality, cost and scale without requiring them to invest in in-house sequencing instruments, high-performance computing resources and specialized personnel. By removing these constraints and broadly enabling researchers to conduct large-scale whole human genome studies, we believe that our solution has the potential to significantly advance medical research and expand understanding of the basis, treatment and prevention of complex diseases.

We believe that our whole human genome sequencing technology, which is based on our proprietary DNA arrays and ligation-based read technology provides a superior combination of quality, costs and scale when compared to existing commercially available whole human genome sequencing platforms. In the DNA sequencing industry, whole human genome sequencing is generally deemed to be coverage of at least 90% of the nucleotides in the genome. Because we have optimized our technology platform and our operations for the unique requirements of high-throughput whole human genome sequencing, we are able to achieve accuracy levels in excess of 99.999% at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments and information process technology and then performing all the required sequence data assembly and analysis. We believe that we will be able to further improve our accuracy levels and reduce the total cost of sequencing and analysis, enabling us to maintain significant competitive advantages over the next several years. Because our technology resides only in our centralized facilities, we can quickly and easily implement enhancements and provide their benefits to our entire customer base. Our goal is to be the first company to sequence and analyze high-quality whole human genomes, at scale, for a total cost of under \$1,000 per genome.

From the earliest days of the field of genomic sequencing to the present, companies and organizations that have achieved sequencing milestones in quality, cost and scale have immediately announced and/or published these sequencing results. We regularly and actively monitor publications and have compared the parameters of our sequencing process and the sequencing results of competitive commercially available technologies announced in these various publications. We are currently unaware of any scientific publications by competitors publicly announcing superior sequencing results. Based on the above, we believe that our complete human genome sequencing technology provides a superior combination of quality, cost and scale when compared to existing commercially available complete genome sequencing methods, when taking into consideration the total cost of purchasing, operating and maintaining the instruments and information systems necessary for complete human genome sequencing.

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, requiring their customers to invest significant additional resources to process that raw data into a form usable for research, we offer our customers an end-to-end, outsourced solution that delivers research-ready genomic data. As

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the cost of complete human genome sequencing continues to decline, we believe the basis of competition in our industry will shift from the cost of sequencing to the value of the entire sequencing solution, including time to delivery, data accuracy and data management solutions. We believe that our integrated advanced informatics and data management services will emerge as a key competitive advantage as this shift occurs.

Our genome sequencing center, which began commercial operations in May 2010, combines a high-throughput sample preparation facility, a collection of our proprietary high-throughput sequencing instruments and a large-scale data center. Our customers ship us their samples via common carrier services such as Federal Express and United Parcel Service. We then sequence and analyze these samples and provide our customers with finished, research-ready data, enabling them to focus exclusively on their single highest priority, discovery.

Our customers include some of the leading academic research centers, government research centers, biopharmaceutical companies, and healthcare providers. At present, our facility has the capacity to sequence and analyze approximately 1,000 whole human genomes per month at 40x coverage. We expect this capacity to approximately double by year-end 2012 as we deploy additional sequencers and increase the throughput of our facility through process improvements. In future years, we plan to construct additional genome centers in the United States and other international strategic markets to accommodate an expected growing global demand for whole human genome sequencing on a large scale.

### **Our Industry**

Studying how genes and proteins differ between species and among individuals within a species, or genetic variations, helps scientists determine their functions and roles in health and disease and, we expect, will continue to drive advancements in medical research and diagnostics. Genetic analysis products comprise instruments and consumables, as well as associated hardware, software and services directly involved in the study of DNA and RNA. Scientia Advisors, a third-party research firm, estimated genomic revenue in 2009 to be approximately \$5.8 billion and projects the market to grow to approximately \$9.0 billion by 2014. Scientia Advisors further estimates that human genomics research will grow from \$4.6 billion in 2009 to \$7.3 billion in 2014.

The primary genetic analysis methods traditionally used by genetic researchers fall into three categories: DNA sequencing, genotyping and gene expression analysis. DNA sequencing is the process of determining the exact order, or sequence, of the individual nucleotides in a DNA strand so that this information can be correlated to the genetic activity influenced by that segment of DNA. Genotyping is the process of examining certain known mutations or variations in the DNA sequence of genes to determine whether the particular variant can be associated with a specific disease susceptibility or drug response. Gene expression analysis is the process of examining the molecules that are produced when a gene is activated, or expressed, to determine whether a particular gene is expressed in a specific biological tissue.

### ***The Importance of Whole Human Genome Sequencing and the Limitations of Existing Technologies***

One of the most difficult challenges facing the genetic research and analysis industry is improving our understanding of how genes contribute to diseases that have a complex pattern of inheritance. For many diseases, multiple genes each make a subtle contribution to a person's predisposition or susceptibility to a disease or response to a drug treatment protocol. Accordingly, we believe that unraveling this complex network will be critical to understanding human health and disease. We believe that sequencing whole human genomes is the most comprehensive and accurate method by which to achieve these objectives and improve our understanding of human disease. However, the cost and complexity associated with whole human genome sequencing have been prohibitively high for researchers and have slowed our progress in understanding the genetic underpinnings of disease.

Innovations in DNA sequencing have led to the development of high-throughput sequencing technologies, commonly referred to as next-generation or second-generation sequencing, which produce thousands to millions of sequences at once. Although second-generation sequencing technologies have led to dramatic reductions in cost and improvements in quality and throughput for complete human genome sequencing, they were designed as general-

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purpose instruments for sequencing the DNA or RNA of plants, animals, bacteria and viruses. We believe the key limitations of the model of purchasing and using second-generation technologies for sequencing large numbers of complete human genomes include the following:

**High Cost.** Laboratories using commercially available DNA sequencing instruments cannot sequence complete human genomes at a price low enough to make large-scale projects affordable to researchers.

**Insufficient Scale and Speed.** Laboratories using commercially available DNA sequencing instruments typically require months to sequence all of the genomes for large projects.

**Difficulty of Data Management.** Many users of commercially available DNA sequencing instruments lack the costly computing resources, storage capacity, network bandwidth and specialized personnel to process and analyze the massive data sets generated by sequencing complete human genomes.

### **Our Solution**

We have developed a novel approach focused on whole human genome sequencing. We combine our proprietary human genome sequencing technology, which achieves accuracy levels in excess of 99.999%, with our advanced informatics and data management software and our innovative, end-to-end service model, to deliver research-ready genomic data at a total cost that is significantly less than the total cost of purchasing and using commercially available DNA sequencing instruments and the required information management hardware and software.

### ***Proprietary Sequencing Technology***

There are two primary components of our proprietary human genome sequencing technology: DNA nanoball, or DNB, arrays and combinatorial probe-anchor ligation, or cPAL, reads. Our patterned DNB arrays, due to their small size and biochemical characteristics, enable us to pack DNA very efficiently on a silicon chip. We have developed a proprietary process that causes the DNA to adhere to desired spots on the chip, while conversely preventing the DNA from adhering to the area between these spots. This enables us to affix individual particles of DNA to over 90% of these spots. In addition, we have developed a highly accurate cPAL read technology, which enables us to read the DNA fragments efficiently using small concentrations of low-cost reagents while retaining extremely high single-read accuracy. As reported in the January 2010 edition of *Science*, we sequenced a whole human genome with a consensus accuracy of 99.999% and a consumables cost of approximately \$1,800. To our knowledge, based on our review of scientific publications in the genome sequencing field, there are no commercially available technologies that have achieved the accuracy comparable to our sequencing results. Our accuracy was further validated by the Institute for Systems Biology, or ISB, as published in *Science Express* in March 2010. We have identified and are developing additional performance enhancements to our core technologies that we believe will enable us to maintain a significant competitive advantage in terms of our combination of quality, cost and scale.

### ***Advanced Informatics and Data Management Software***

Sequencing whole human genomes generates substantial amounts of data that must be managed, stored and analyzed. While many users of instrument-based sequencing systems have historically conducted their own in-house data analysis on a limited number of genomes, many of these users lack the computing, storage and network bandwidth necessary to manage the massive data sets generated by larger scale whole human genome studies. In response to this need by our customers, we have built a genomic data processing facility with computing infrastructure for managing both small- and large-scale genomic sequencing projects.

There are two major components of our data management solution: assembly software and analysis software. Assembly is the process of using computers to organize all of the overlapping 70-base nucleotide sequences to reconstruct the complete human genome. Our proprietary assembly software uses advanced data analysis algorithms and statistical modeling techniques to make high confidence calls of an average of over 97% of the genome and over 96% of the exome from approximately two billion 70-base reads. After assembling the genomic data, we use our analysis software to identify and annotate key differences, or variants, in each genome.





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By using our analytical tools and data management software, our customers can significantly reduce their investments in computing infrastructure. Our customers are provided with reliable access to assembled and annotated sequence data in multiple formats to ease data sharing and comparative analyses. In addition, our data storage options provide flexibility and allow customers to customize their data management strategy based on their particular business and scientific requirements. We have also developed a suite of open source analytical tools, called CGA™ Tools, designed to enable our customers to rapidly analyze the data we generate from their samples. As the reagent cost of sequencing declines, we believe that the cost and complexity of data analysis and management will emerge as the primary limiting factor for conducting whole human genome analysis.

### ***Innovative, End-to-End, Outsourced Solution***

While our competitors primarily sell DNA sequencing instruments and reagents that produce raw sequenced data, requiring their customers to invest significant additional resources to process that raw data into a form usable for research, we offer our customers an end-to-end, outsourced solution that delivers research-ready genomic data. Our genome sequencing center combines a high-throughput sample preparation facility, a collection of our proprietary high-throughput sequencing instruments and a large-scale data center. Our customers ship us their samples via common carrier services such as Federal Express and United Parcel Service. We then sequence and analyze these samples and provide our customers with finished, research-ready genomic data, enabling them to focus exclusively on their single highest priority, discovery.

Our customers are not required to purchase expensive sequencing instruments and high-performance computing resources to sequence and analyze large sets of whole human genomes. Our outsourced service model enables our customers to offload to us the complex processes of sample preparation, sequencing, computing and data storage and management. We believe our services will expand the potential addressable market by enabling a broad base of researchers who may lack sufficient capital and the specialized personnel necessary to build and operate a sequencing laboratory, or who have historically been constrained by the high total cost of sequencing, to conduct large-scale whole human genome studies.

We believe our end-to-end solution provides the following advantages to our customers:

***High-Quality Data.*** Our technology delivers what we believe is the industry's highest accuracy whole human genome data.

***Cost-Savings.*** Our customers are not required to purchase expensive sequencing instruments and high-performance computing resources or hire the necessary specialized personnel to sequence and analyze large sets of whole human genome data.

***Speed at Scale.*** Our customers can often complete their large-scale projects more quickly by using our services than by purchasing and operating commercially available sequencing instruments.

***Ease of Use.*** We believe our customers can avoid the difficulty and time-consuming process of purchasing and operating their own sequencing instruments and can outsource the entire process to us, from sample preparation to delivery of research-ready data.

***Operational Flexibility.*** By outsourcing their large-scale whole human genome sequencing projects to us, our customers can free up the capacity of in-house instruments to run smaller or more targeted sequencing projects and applications.

***Technological Flexibility.*** As DNA sequencing technology improves, our customers have available to them the latest technology that we have developed, and they avoid the risk of their expensive instruments becoming technologically obsolete.

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***Enables Customers to Focus on Discovery.*** Outsourcing offloads the operational burdens of managing large-scale genome sequencing projects and enables our customers to focus their resources on research, which can reduce the time to discovery.

We have more than 125 past and current customers, which include some of the leading global academic and government research centers and biopharmaceutical companies. Our project with SAIC-Frederick, Inc., the prime contractor for the National Cancer Institute's research and development facility in Frederick, Maryland, involves sequencing and analyzing more than 600 tumor-normal pairs, comprising over 1,200 whole human genomes, to identify patterns relating to the genesis of cancerous tumors in children. This study may potentially lead to improved diagnosis and treatment of pediatric cancers. This project forms part of the National Cancer Institute's Therapeutically Applicable Research to Generate Effective Treatments, or TARGET, Initiative. TARGET seeks to use genomic technologies to rapidly identify valid therapeutic targets in childhood cancers so that new, more effective treatments can be developed. It is currently focusing on five childhood cancers: acute lymphoblastic leukemia, acute myeloid leukemia, neuroblastoma, osteosarcoma and Wilms tumor. Our project with the Inova Health System, a not-for-profit health care system based in Northern Virginia, involves sequencing 1,500 genomes from 500 babies and their parents. The goal of this project is to identify prognostic, diagnostic and therapeutic targets for pre-term delivery and potentially other obstetrics associated abnormalities. The study may also help provide the framework to enable Inova to begin to use genomic data to customize care within Inova's hospital network. Data from Inova Health System's electronic medical record system will support outcomes-based research on this cohort.

### **Applications for Our Sequencing Service**

Potential applications for our whole human genome sequencing service include:

***Cancer Research.*** Researchers are sequencing cancer genomes and comparing them to normal genomes, which are referred to as tumor-normal pairs, to identify the mutations in cancer genomes. We believe understanding these mutations will guide development of new cancer therapeutics and diagnostics and enable doctors to select the best course of therapy based on the specific mutations found in a tumor.

***Mendelian Disease Research.*** There are thousands of Mendelian inherited diseases that have been found to run in families, and are accordingly likely to have a significant genetic component. However, the genetic cause of most of these diseases is currently unknown. By sequencing the whole genomes of the affected families, we believe the genetic causes of these Mendelian diseases can be discovered, which could lead to the development of novel diagnostics and therapeutics.

***Rare Variant Disease Research.*** Diseases such as central nervous system disorders, cardiac disease, certain metabolic disorders, and other diseases that appear broadly in the population are thought to be caused by rare variants. Large-scale studies of affected individuals may help to identify the disrupted pathways and lead to the development of novel diagnostics and therapeutics.

***Translational Research.*** We believe that over time, healthcare systems will use genomic data to direct an individual's medical care. Leading institutions are beginning to conduct research aimed at identifying how best to use the knowledge of the genome to improve patient healthcare and achieve cost savings in the delivery of healthcare.

***Clinical Trial Optimization.*** We believe that selecting or stratifying patients on the basis of their genetic profiles could enable the preferential admission of high responders into a clinical trial. This stratification could enable the trial to reach its conclusion with fewer patients and lower costs and result in faster clinical trials and drug commercialization.

***Companion Diagnostic Discovery.*** We believe that therapeutics that are not first-line treatments for the general population may be elevated to first-line treatments or used in combination therapies for subsets of the population that share a common genetic profile. Whole human genome studies may unlock new market opportunities for these therapies or combination therapies.



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In addition to these research applications, we expect future clinical applications to include:

***Idiopathic Disease Pediatric Diagnostics.*** We believe that sequencing the whole genome of idiopathic sick children, or children the cause of whose sickness is unknown, could identify genomic mutations as well as complex interaction pathways that cannot be discovered by only analyzing selected areas of the genome. This approach may result in more rapid diagnosis and better patient care.

***Cancer Pathology.*** We believe that whole human genome sequencing will be the most reliable and economic way to analyze complex cancer genomes that involve large and unpredictable structural changes. In the United States alone, there are approximately 1.5 million new cases of cancer diagnosed each year according to the National Cancer Institute.

***Universal Diagnostics.*** As medical records technology and public health policy advance, we believe that large numbers of people will have their whole human genomes sequenced and stored for use by their physicians in managing their health care decisions.

## **Competitive Strengths**

We believe that our competitive strengths are as follows:

***Proprietary Human Genome Sequencing Technology.*** Our proprietary sequencing technology achieves accuracy levels of 99.999% at a total cost that is significantly less than the total cost of purchasing and operating commercially available DNA sequencing instruments and the necessary information processing technology, and then performing all the required sequence data assembly and analysis.

***Fully Integrated Advanced Informatics and Data Management Software.*** Our solution enables our customers to manage and gain useful information from the massive data sets generated in complete human genome sequencing.

***Highly Scalable and Capital-Efficient Business Model.*** Consolidating volume across our entire customer base enables us to sequence large numbers of genomes while avoiding the cost and complexity of employing a large field installation and support organization. By implementing a high degree of automation, we have reduced the possibility of human errors that could adversely affect quality and increase costs.

***Unique Insight Into Customer Needs.*** We interact directly with our customers on their discovery projects, which enables us to develop and enhance our analysis software to meet our customers' specific needs while expanding our understanding of variation in the human genome.

***Fast and Efficient Deployment of Operational and Technological Enhancements.*** Because our sequencing operations and data center are centralized, we can rapidly upgrade our technology and deliver the benefits to our customers. In addition, our access to genomic data allows our software engineers to continually refine and improve our software with each genome we sequence.

***Expanded Market Opportunity.*** We believe our outsourced model will expand the potential addressable market by providing academic and biopharmaceutical researchers who lack sufficient budgets or the specialized personnel necessary to build and operate a sequencing laboratory with access to high-quality, low-cost complete human genome data.



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### **Our Strategy**

Our goal is to improve human health by providing genomic information to understand, prevent, diagnose and treat diseases and conditions. We intend to become the preferred solution for whole human genome sequencing and analysis by:

***Continuing to Deliver the Highest Quality Genomic Data and Analysis at a Low Total Cost.*** By continuing to deliver the highest quality research-ready data and by enabling our customers to avoid the cost, complexity and risks associated with purchasing and operating the instruments and computing resources required to undertake whole human genome sequencing, our goal is to become the preferred solution for our customers.

***Maintaining and Strengthening our Technology.*** We plan to continue to conduct research and product development activities to further improve quality, reduce costs, increase throughput and reduce our turnaround time. We plan to further develop the biochemistry, informatics, instrumentation and software that we believe together make up the industry's most robust solution. We will also seek to continually improve our operational processes and analysis software.

***Capitalizing on our Scalable Model.*** Due to the highly scalable nature of our service model, we believe we are well positioned to serve customers looking to sequence a small number of genomes as well as customers who are looking to rapidly sequence a very large number of genomes.

***Establishing Ourselves as the Leader in Outsourced Whole Human Genome Sequencing.*** We intend to continue to focus exclusively on whole human genome sequencing. We believe that this focus will put us in a strong position to become the preferred platform for whole human genome sequencing.

***Developing Clinical Applications for the Use of our Technology.*** While our current focus is on providing whole human genome solutions primarily to academic, biopharmaceutical, and translational medicine researchers, we expect to develop clinical applications for whole genome sequencing for use in idiopathic pediatric disease diagnosis, cancer pathology, and ultimately, as a universal diagnostic.

***Exploring Strategic Partnerships and Collaborations.*** We expect to establish strategic partnerships and collaborations with commercial and research organizations to leverage our genome sequencing technology with the strengths of these organizations to further develop and expand the applications for our sequencing technology.

***Expanding Globally to Increase Capacity and Reach New Markets.*** We expect to enter into partnership agreements with domestic and international organizations to build additional genome sequencing centers around the world. These genome sequencing centers will increase our sequencing capacity, provide us with improved access to global markets and expand our revenue opportunities.

### **Risks Associated with our Business**

Our business is subject to numerous risks, as discussed more fully in the section entitled "Risk Factors" immediately following this prospectus supplement summary. These risks include the following, among others:

We are an early, commercial-stage company and have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

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We will require substantial additional funding and may be unable to raise capital when needed, which could force us to delay, reduce or cancel certain business objectives or we may be unable to continue as a going concern.

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We have a history of losses, and we may not achieve or sustain profitability in the future, on a quarterly or annual basis.

Our only source of revenue is our human genome sequencing service, which is a new business model in an emerging industry, and failure to achieve market acceptance will harm our business.

Our order backlog may never be completed, and we may never earn revenue on backlogged contracts to sequence genomes. In addition, the timing of the conversion of our order backlog into revenue is dependent on the timing of receipt of samples from our customers.

The presence or absence in a specific quarter of one or more new large orders, our ability to process orders or the cancellation of previous orders, may cause our results of operations and backlog to fluctuate significantly on a quarterly basis.

Our success depends on the growth of markets for analysis of genetic variation and biological function, and the shift of these markets to whole human genome sequencing.

We face significant competition. Our failure to compete effectively could adversely affect our sales and results of operations.

We must significantly increase our production capabilities in order to achieve profitability.

If our Mountain View genome sequencing facility becomes inoperable, we will be unable to perform our genome sequencing services and our business will be harmed.

We currently are, and could in the future be, subject to litigation regarding patent and other proprietary rights that could harm our business.

**Corporate Information**

We were incorporated in the state of Delaware on June 14, 2005. The address of our principal executive offices is 2071 Stierlin Court, Mountain View, California 94043, and our telephone number is (650) 943-2800. Our website address is [www.completegenomics.com](http://www.completegenomics.com). We do not incorporate the information on, or that can be accessed through, our website into this prospectus supplement or the accompanying prospectus, and you should not consider it part of this prospectus supplement or the accompanying prospectus.



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**The Offering**

Common stock offered by us in this offering	Shares of our common stock, par value \$0.001 per share, having an aggregate offering price of up to \$30 million.
Manner of offering	At-the-market offering that may be made from time to time on The NASDAQ Global Market or other market for our common stock in the U.S. through our agent, MLV & Co. LLC. See the section entitled Plan of Distribution in this prospectus supplement.
Use of proceeds from this offering	We intend to use the net proceeds from this offering for general corporate purposes, which may include funding research and development, increasing our working capital, reducing indebtedness, acquisitions or investments in businesses, products or technologies that are complementary to our own, and capital expenditures. Pending these uses, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities. See the section entitled Use of Proceeds in this prospectus supplement.
Risk factors	You should read the Risk Factors section of this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement for a discussion of factors to consider before deciding to purchase shares of our common stock.
NASDAQ Global Market symbol	GNOM

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**RISK FACTORS**

*An investment in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should consider carefully the risks described below and discussed under the section captioned Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference in this prospectus supplement in its entirety, together with other information in this prospectus supplement, the accompanying prospectus and the information and documents incorporated herein and therein by reference, and any free writing prospectus that we have authorized for use in connection with this offering. If any of these risks actually occurs, our business, financial condition, results of operations or cash flow could be seriously harmed. This could cause the trading price of our common stock to decline, resulting in a loss of all or part of your investment.*

**Risks Related to This Offering**

**Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.**

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that you do not agree with or that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business and cause the price of our common stock to decline.

**You will experience immediate and substantial dilution in the net tangible book value per share of the common stock you purchase.**

The price per share of our common stock being offered may be higher than the net tangible book value per share of our common stock outstanding prior to this offering. Assuming that an aggregate of 7,832,898 shares are sold at a price of \$3.83 per share, the last reported sale price of our common stock on The NASDAQ Global Market on March 8, 2012, for aggregate proceeds of \$30 million in this offering, and after deducting commissions and estimated aggregate offering expenses payable by us, you will suffer immediate and substantial dilution of \$1.12 per share, representing the difference between the as adjusted net tangible book value per share of our common stock as of December 31, 2011 after giving effect to this offering and the assumed offering price. See the section entitled Dilution below for a more detailed discussion of the dilution you will incur if you purchase common stock in this offering.

**You may experience future dilution as a result of future equity offerings.**

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock. We cannot assure you that we will be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by investors in this offering, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders. The price per share at which we sell additional shares of our common stock or other securities convertible into or exchangeable for our common stock in future transactions may be higher or lower than the price per share in this offering. As of December 31, 2011, 3,422,336 shares of common stock were reserved for future issuance under our 2006 Equity Incentive Award Plan, as amended, or the 2006 Plan, our 2010 Equity Incentive Plan, or the 2010 Plan, and our Employee Stock Purchase Plan, or ESPP, and 15,003 shares of common stock were issuable upon the vesting of outstanding restricted stock units. As of that date, there were also options outstanding to purchase 4,101,953 shares of our common stock and 1,533,823 warrants outstanding to purchase shares of our common stock. You will incur additional dilution upon the grant of any shares under the 2006 Plan or the 2010 Plan, upon vesting of any outstanding restricted stock units, or upon exercise of any outstanding stock options or warrants.

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus, the documents we have filed with the SEC that are incorporated by reference in this prospectus supplement or the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering contain forward-looking statements within the meaning of Section 27A of the Securities Act and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are subject to the safe harbor created by those sections. These forward-looking statements involve risks and uncertainties and are contained principally in the sections entitled Prospectus Supplement Summary, Risk Factors, and Business. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These risks and uncertainties are contained principally in the section entitled Risk Factors.

Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking statements by terms such as may, will, should, intend, could, would, continue, expect, plan, anticipate, believe, estimate, project, negative of those terms, and similar expressions and comparable terminology intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus, and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus supplement or the accompanying prospectus, as applicable, or that any information incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document so incorporated by reference. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

This prospectus supplement, the accompanying prospectus, the documents we have filed with the SEC that are incorporated by reference in this prospectus supplement or the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering also contain estimates and other information concerning our current and target markets that are based on industry publications, surveys and forecasts, including those generated by Scientia Advisors. These estimates and information involve a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates and information. These industry publications, surveys and forecasts generally indicate that their information has been obtained from sources believed to be reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors. These and other factors could cause actual results to differ materially from those expressed in these publications, surveys and forecasts.

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. We and MLV have not authorized anyone to provide you with different information. The common stock offered under this prospectus supplement and the accompanying prospectus is not being offered in any state where the offer is not permitted.

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**USE OF PROCEEDS**

The amount of proceeds from this offering will depend upon the number of shares of our common stock sold and the market price at which they are sold. There can be no assurance that we will be able to sell any shares under or fully utilize the sales agreement with MLV as a source of financing. We intend to use the net proceeds from this offering for general corporate purposes, which may include funding research and development, increasing our working capital, reducing indebtedness, acquisitions or investments in businesses, products or technologies that are complementary to our own, and capital expenditures. We may also use a portion of the net proceeds from this offering to acquire or invest in complementary businesses, technologies, product candidates or other intellectual property, although we have no present commitments or agreements to do so.

The amounts and timing of these expenditures will depend on a number of factors, such as the commercial success of our CGA Platform, as well as the amount of cash used in our operations. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses of the proceeds from this offering. Accordingly, we will retain broad discretion over the use of such proceeds. Pending the use of the net proceeds from this offering as described above, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return, if any.

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**Table of Contents****DILUTION**

Our net tangible book value as of December 31, 2011 was approximately \$82.4 million, or \$2.47 per share. Net tangible book value per share is determined by dividing our total tangible assets, less total liabilities, by the number of shares of our common stock outstanding as of December 31, 2011. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the as adjusted net tangible book value per share of our common stock immediately after giving effect to this offering.

After giving effect to the sale of our common stock in the aggregate amount of \$30 million in this offering at an assumed offering price of \$3.83, the last reported sale price of our common stock on The NASDAQ Global Market on March 8, 2012, and after deducting commissions and estimated aggregate offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2011 would have been approximately \$111.7 million, or \$2.71 per share. This represents an immediate increase in net tangible book value of \$0.24 per share to existing stockholders and immediate dilution in net tangible book value of \$1.12 per share to new investors purchasing our common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed public offering price per share		\$ 3.83
Net tangible book value per share as of December 31, 2011	\$	2.47
Increase per share attributable to new investors	\$	0.24
As adjusted net tangible book value per share after this offering		\$ 2.71
Dilution per share to new investors		\$ 1.12

The shares sold in this offering, if any, will be sold from time to time at various prices. An increase of \$0.50 per share in the price at which the shares are sold from the assumed offering price of \$3.83 per share shown in the table above, assuming all of our common stock in the aggregate amount of \$30 million is sold at that price, would increase our as adjusted net tangible book value per share after the offering to \$2.77 per share and would increase the dilution in net tangible book value per share to new investors to \$1.56 per share, after deducting commissions and estimated aggregate offering expenses payable by us. A decrease of \$0.50 per share in the price at which the shares are sold from the assumed offering price of \$3.83 per share shown in the table above, assuming all of our common stock in the aggregate amount of \$30 million is sold at that price, would increase our as adjusted net tangible book value per share after the offering to \$2.63 per share and would decrease the dilution in net tangible book value per share to new investors to \$0.70 per share, after deducting commissions and estimated aggregate offering expenses payable by us. This information is supplied for illustrative purposes only.

The above discussion and table are based on 33,409,638 shares of common stock outstanding as of December 31, 2011, and exclude as of that date:

4,101,953 shares of common stock issuable upon the exercise of outstanding options, at a weighted average exercise price of \$6.06 per share;

1,533,823 shares of common stock issuable upon the exercise of outstanding warrants, at a weighted average exercise price of \$2.29 per share;

15,003 shares of common stock issuable upon the vesting of outstanding restricted stock units; and

3,422,336 shares of common stock reserved for future issuance under the 2006 Plan, the 2010 Plan and the ESPP.

To the extent that outstanding options or warrants are exercised or outstanding restricted stock units vest, investors purchasing our common stock in this offering will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.



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**PLAN OF DISTRIBUTION**

We have entered into an At Market Issuance Sales Agreement, or the sales agreement, with MLV & Co. LLC, or MLV, under which we may issue and sell shares of our common stock having aggregate sales proceeds of up to \$30 million from time to time on The NASDAQ Global Market or other market for our common stock in the U.S. through MLV acting as agent. The sales agreement has been filed as an exhibit to a Current Report on Form 8-K filed under the Exchange Act and incorporated by reference in this prospectus supplement. MLV may sell the common stock by any method that is deemed to be an at-the-market equity offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, or the Securities Act, including sales made directly on or through The NASDAQ Global Market or any other existing trading market for our common stock in the U.S. or to or through a market maker. MLV may also sell the common stock in privately negotiated transactions, subject to our prior approval. We may instruct MLV not to sell our common stock if the sales cannot be effected at or above the price designated by us from time to time. We or MLV may suspend the offering of our common stock upon notice and subject to other conditions. As an agent, MLV will not engage in any transactions that stabilize the price of our common stock.

We will pay MLV commissions for its services in acting as agent in the sale of our common stock. MLV will be entitled to compensation at a commission rate of up to 3% of the gross sales price per share sold. Because there is no minimum offering amount required as a condition to closing this offering, the actual total public offering amount, commissions and proceeds to us, if any, are not determinable at this time.

We estimate that the total expenses for the offering, excluding compensation payable to MLV under the terms of the sales agreement, will be approximately \$75,000.

Settlement for sales of our common stock will occur on the third business day following the date on which any sales are made, or on some other date that is agreed upon by us and MLV in connection with a particular transaction, in return for payment of the net proceeds to us. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

MLV will act as sales agent on a commercially reasonable efforts basis consistent with its normal trading and sales practices. In connection with the sale of the common stock on our behalf, MLV may, and will with respect to sales effected in an at-the-market offering, be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of MLV may be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to MLV against certain civil liabilities, including liabilities under the Securities Act.

The offering pursuant to the sales agreement will terminate upon the earlier of (i) the issuance and sale of all shares of our common stock subject to the sales agreement, or (ii) the termination of the sales agreement as permitted therein. We may from time to time terminate the offering pursuant to the sales agreement in order to undertake other kinds of offerings, and accordingly may update this prospectus supplement to reflect any change in the amounts available for offerings pursuant to the sales agreement.

In compliance with guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus supplement and the accompanying prospectus.

MLV and its affiliates may in the future provide various investment banking and other financial services for us and our affiliates, for which services they may in the future receive customary fees. To the extent required by Regulation M, MLV will not engage in any market making activities involving our common stock while the offering is ongoing under this prospectus supplement.

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Chris A. Durbin

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Patrick M. Gray

X

Edward M. Murphy

X

Kevin A. Mundt

ü

Guy Sansone

X

Gregory T. Torres

X

James L. Elrod, Jr.

X ü

Pamela F. Lenehan

ü

ü Chair of the committee

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### **Audit Committee**

The Audit Committee is responsible for, among other matters: (i) appointing, compensating, retaining, overseeing and terminating our independent registered public accounting firm; (ii) reviewing our independent registered public accounting firm's independence from management; (iii) reviewing with our independent registered public accounting firm the scope of their audit; (iv) approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm; (v) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual consolidated financial statements that we file with the SEC; (vi) reviewing and monitoring our accounting principles, accounting policies, financial reporting processes and controls and compliance with applicable legal and regulatory requirements; (vii) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; (viii) reviewing and approving related party transactions; and (ix) reviewing and discussing policies and guidelines with respect to risk assessment and risk management.

The Audit Committee consists of Ms. Lenehan (Chair), Mr. Durbin and Mr. Gray. Our Board has affirmatively determined that each of Ms. Lenehan and Mr. Gray meet the definition of "independent director" for purposes of serving on the Audit Committee under applicable SEC and New York Stock Exchange rules. In addition, both Ms. Lenehan and Mr. Gray qualify as an "audit committee financial expert," as such term is defined in Item 407 of Regulation S-K. The SEC rules and New York Stock Exchange rules require us to have all independent Audit Committee members by September 16, 2015, and we intend to comply with this independence requirement within the time period specified.

The written charter for the Audit Committee is available on our corporate website at [www.civitas-solutions.com](http://www.civitas-solutions.com).

The Audit Committee was formed in August 2014 in connection with our IPO, and did not meet prior to the Company's year-end in September 2014.

### **Compensation Committee**

The Compensation Committee is responsible for, among other matters: (i) reviewing and approving executive officer compensation goals, objectives and plans; (ii) reviewing and recommending the compensation of our directors; (iii) reviewing and approving employment agreements, severance arrangements and change in control agreements/provisions between us and our executive officers; and (vi) administering our stock plans and other incentive compensation plans.

Our Compensation Committee consists of Mr. Durbin (Chair), Mr. Elrod and Mr. Sansone. The written charter for the Compensation Committee is available on our corporate website at [www.civitas-solutions.com](http://www.civitas-solutions.com).

The Compensation Committee was formed in August 2014 in connection with our IPO, and did not meet prior to the Company's year-end in September 2014.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for, among other matters: (i) identifying individuals qualified to become members of our Board, consistent with criteria approved by our Board; (ii) overseeing the organization of our Board to discharge the Board's duties and responsibilities properly and

- <sup>1</sup> Prior to the formation of the Company's Audit Committee, an audit committee of the Board of Directors of NMHI (an indirect subsidiary of Civitas) met regularly. In the fiscal year ended 2014, the audit committee of NMHI met seven times.
- <sup>2</sup> Prior to the formation of the Company's Compensation Committee, the compensation committee of the Board of Directors of NMHI met regularly. In the fiscal year ended 2014, the Compensation Committee of NMHI met two times.

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efficiently; (iii) identifying best practices and recommending corporate governance principles; and (iv) reviewing and recommending to our Board any changes to a set of corporate governance guidelines and principles applicable to us.

Our Nominating and Corporate Governance Committee consists of Mr. Mundt (Chair), Mr. Murphy and Mr. Durbin. The written charter for the Nominating and Corporate Governance Committee is available on our corporate website at [www.civitas-solutions.com](http://www.civitas-solutions.com).

The Nominating and Corporate Governance Committee was formed in August 2014 in connection with our IPO, and did not meet prior to the Company's year-end in September 2014.

## **Quality and Risk Management Committee**

The Quality and Risk Management Committee is responsible for, among other matters: (i) oversight of our management compliance committee, which is responsible for the structure and implementation of our compliance plan and service delivery risk management plan; (ii) discussing specific material compliance and other legal issues with the Audit Committee, the Chief Legal Officer and the Compliance Officer, as appropriate; (iii) oversight of our quality assurance and quality improvement programs; and (iv) conducting such investigations into matters relating to compliance matters as the committee may deem necessary.

Our Quality and Risk Management Committee consists of Mr. Elrod (Chair), Mr. Torres and Mr. Nardella. The written charter for the Quality and Risk Management Committee is available on our corporate website at [www.civitas-solutions.com](http://www.civitas-solutions.com).

The Quality and Risk Management Committee was formed in September 2014 in connection with our IPO, and did not meet prior to the Company's year-end in September 2014.

## **Compensation Committee Interlocks and Insider Participation**

Messrs. Durbin, Elrod and Sansone are the members of our Compensation Committee, and none of them is or has been our officer or employee. Messrs. Durbin and Elrod are managing directors of Vestar ( Vestar ), which controls Civitas. For a description of the transactions between us and Vestar, see Certain Relationships and Related Party Transactions. Apart from these relationships, no member of the Compensation Committee has any relationship that would be required to be reported under Item 404 of Regulation S-K. No member of the Compensation Committee serves or served during the fiscal year as a member of the board of directors or compensation committee of a company that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

## **Identifying and Evaluating Director Candidates**

The Nominating and Corporate Governance Committee is responsible for, among other matters, identifying and recommending candidates for the Board and reviewing and evaluating any candidates recommended by stockholders. The Nominating and Corporate Governance Committee is responsible for developing and recommending qualification standards and other criteria for selecting nominees for directors. These criteria include independence, diversity, age, skills, and experience in the context of the needs of the Board. The Nominating and Corporate Governance Committee considers a combination of factors for each nominee, including: (i) the independence, judgment, strength of character, reputation in the business community, ethics and integrity of the individual; (ii) the business or other relevant experience, skills, and knowledge that the individual may have that will enable him/her to provide effective oversight of Civitas' business; (iii) the fit of the individual's skill set and personality with those of the other Board members so as to build a Board that works

- <sup>3</sup> Prior to the formation of the Company's Quality and Risk Management Committee, a compliance committee of the Board of Directors of NMHI met regularly. In the fiscal year ended 2014, the compliance committee of NMHI met three times.

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together effectively and constructively; (iv) whether the individual contributes to the racial, ethnic and gender diversity of the Board; and (v) the individual's ability to devote sufficient time to carry out his or her responsibilities as a director in light of his/her occupation and the number of boards of directors of other public companies on which he or she serves.

The Board believes experience, qualifications or skills in the following areas are most important: (i) human services and healthcare; (ii) public policy; (iii) business development and strategic planning; (iv) accounting, finance and capital structure; (v) human resources and organizational design; (vi) technology development and management experience; (vii) leadership of complex organizations; (viii) leadership development and succession planning; (ix) corporate governance and board practices of other public companies; and (x) risk management and compliance.

Our Bylaws contain a procedure allowing for the nomination by stockholders of proposed directors. See Additional Information Stockholder Proposals for Inclusion in the 2016 Annual Meeting Proxy Statement and Other Stockholder Proposals for information as to how a stockholder can nominate a director candidate. The Nominating and Corporate Governance Committee considers all director candidates, including candidates recommended by stockholders or proposed by stockholders in accordance with our Bylaws, in the same manner as other candidates identified to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee may engage third-party search firms to identify potential director nominees.

## **Risk Oversight**

Our Board has delegated to the Audit Committee oversight of our risk management process. The Audit Committee focuses on our general risk management strategy and the most significant risks facing us, and directs management to implement appropriate risk mitigation strategies. The Quality and Risk Management Committee focuses on our service delivery risk management process, and directs management to implement appropriate risk mitigation strategies with respect to service delivery. Our other Board committees also consider and address risk as they perform their respective committee responsibilities. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk. Our management is responsible for day-to-day risk management. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

## **Code of Conduct and Code of Ethics**

We have adopted the MENTOR Network Code of Conduct that applies to our directors, officers and employees. We have also adopted a code of ethics for senior financial officers that applies to our chief executive officer, chief financial officer, principal accounting officer and all persons performing similar functions. The MENTOR Network Code of Conduct and the code of ethics for senior financial officers are publicly available on our website at [www.civitas-solutions.com](http://www.civitas-solutions.com). If we make any substantive amendments to the MENTOR Network Code of Conduct, or grant any waiver from a provision of the code of ethics for senior financial officers to our chief executive officer, chief financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

## **Communications with the Board**

Stockholders and other interested parties may contact an individual director, including the presiding director, the Board as a group, or a specified Board committee or group, including the independent directors as a group, at the following address: Office of the Secretary, Civitas Solutions, Inc., 313 Congress Street, Boston, Massachusetts 02210 Attn: Board of Directors. Any correspondence should clearly indicate whether the correspondence is intended for an

individual director, the Board as a group, or a specified committee or group of directors.

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All such reports or correspondence will be forwarded to the appropriate director or group of directors as indicated on the correspondence unless the correspondence is of a trivial nature, irrelevant to the Board's responsibilities, or already addressed by the Board. A report will be made to the Audit Committee of all communications to the Board, and all such correspondence is made available to all directors.

**Director Compensation**

We reimburse directors for any out-of-pocket expenses incurred by them in connection with services provided in such capacity. The table below sets forth the compensation of our non-employee directors in fiscal 2014. Messrs. Durbin, Elrod and Mundt are employees of Vestar and do not receive any additional compensation for their service as directors.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Equity Awards (\$ (a))</b>	<b>Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Gregory T. Torres	42,795(b)	6,765	1,662(c)	247,897(d)	299,199
Pamela F. Lenehan	25,430(e)	6,765			
Guy Sansone	21,979(e)	6,765			
Patrick M. Gray	3,069(f)	6,765			
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- (a) In connection with the Company's IPO, on September 16, 2014, each of the non-management, non-Vestar directors was awarded 6,765 time based restricted stock units. The restricted stock units will vest on September 16, 2015.
- (b) In 2014, Mr. Torres' amended and restated employment agreement was terminated by the Termination Agreement dated December 16, 2013, by and between Gregory T. Torres and Civitas' indirect subsidiary, National Mentor Holdings, Inc. ( NMHI ), pursuant to which NMHI agreed to make a donation in the amount of \$100,000 to MassINC. Effective as of January 1, 2014, Mr. Torres received a fee of \$5,000 for each meeting of the Board of Directors attended in person and a fee of \$1,000 for each meeting attended by phone and each committee meeting attended. Effective as of September 17, 2014, Mr. Torres will receive an annual retainer of \$75,000 plus \$7,500 annual fee as a member of the Quality and Risk Management Committee paid quarterly in arrears.
- (c) Represents earnings in excess of 120% of the applicable federal long-term rate. Mr. Torres continued to accrue interest on amounts credited to him in the National Mentor Holdings, LLC Executive Deferred Compensation Plan (the Executive Deferred Compensation Plan ) during his service as our President and Chief Executive Officer.
- (d) In connection with his termination as an employee of National Mentor Holdings, Inc., Mr. Torres received a distribution in respect of amounts earned and accrued during his tenure under the Executive Deferred Compensation Plan in the amount of \$247,785, plus \$112 in respect of imputed income for the payment of group term life premiums paid by the Company prior to Mr. Torres' termination.
- (e) Prior to September 17, 2014, Ms. Lenehan and Mr. Sansone received a fee of \$5,000 for each meeting of the Board of Directors attended in person and a fee of \$1,000 for each meeting attended by phone and each

committee meeting attended. As of September 17, 2014, Ms. Lenehan will receive an annual retainer of \$75,000 plus an annual fee of \$20,000 for her role as Chair of the Audit Committee. As of September 17, 2014, Mr. Sansone will receive an annual retainer of \$75,000 plus an annual fee of \$7,500 as a member of the Compensation Committee.

- (f) Effective as of September 17, 2014, Mr. Gray was appointed to the Board. As a member of the Board he will receive an annual retainer of \$75,000 plus an annual payment of \$10,000 as a member of the Audit Committee.



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We have a director compensation program for our non-employee directors who are not affiliated with Vestar. These directors receive an annual retainer of \$75,000. These directors receive fees for committee membership that are paid as follows: (i) \$20,000 annual fee for the Chair of the Audit Committee and \$10,000 annual fee for other members of the Audit Committee; (ii) \$15,000 annual fee for the Chair of the Compensation Committee and \$7,500 annual fee for other members of the Compensation Committee, (iii) \$10,000 annual fee for the Chair of the Nominating and Corporate Governance Committee and \$5,000 annual fee for other members of the Nominating and Corporate Governance Committee and (iv) \$15,000 annual fee for the Chair of the Quality and Risk Management Committee and \$7,500 annual fee for other members of the Quality and Risk Management Committee. We do not pay fees for attendance at committee meetings. We intend to grant deferred or restricted stock units to these directors annually on the date of our annual meeting of stockholders, beginning with the 2016 annual meeting. These awards will have vesting periods of one year. We do not intend to impose any holding requirements but have adopted a stock ownership guideline for these directors which will require them to hold shares of our common stock with a value equal to three times their annual cash retainer, or \$225,000, by September 16, 2019, or in the case of directors who join after September 16, 2014, within five years of their election to the Board. These directors will be required to hold 100% of their equity awards until this guideline is met.

**Table of Contents****Executive Officers**

The following table sets forth the names, ages, and titles of our executive officers as of January 2, 2015:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Edward M. Murphy	67	Executive Chair and Director
Bruce F. Nardella	57	President, Chief Executive Officer and Director
Denis M. Holler	60	Chief Financial Officer and Treasurer
Neil D. Brendmoen	57	Hastings Operating Group President
Jeffrey M. Cohen	46	Chief Information Officer
Linda De Renzo	55	Chief Legal Officer, General Counsel and Secretary
Kathleen P. Federico	55	Chief Human Resources Officer
Gerald J. Morrissey, Jr.	62	Chief Quality Officer
Robert M. Melia	58	Chief Business Development Officer
David M. Petersen	66	Redwood Operating Group President
Dwight D. Robson	43	Chief Public Strategy and Marketing Officer

There are no family relationships between any of our directors or executive officers. There are no arrangements or understandings between any executive officer and any other person pursuant to which he or she was selected as an officer.

**Edward M. Murphy** has served as Executive Chair of the Board of Directors since January 2014 and as Director since September 2004. Mr. Murphy served as Chief Executive Officer from January 2005 until December 2013. He also served as our President from September 2004 until December 2009. Mr. Murphy founded Alliance Health and Human Services, Inc. ( Alliance ) in 1999 and served as the organization's President and CEO until September 2004. Prior to founding Alliance, he was a Senior Vice President at Tucker Anthony and President and Chief Operating Officer of Olympus Healthcare Group. Mr. Murphy is a former Commissioner of the Massachusetts Department of Youth Services and the Massachusetts Department of Mental Health, and the former Executive Director of the Massachusetts Health and Educational Facilities Authority. Mr. Murphy earned an A.B. from Boston College, and an M.A. and Ph.D in Communications from the University of Massachusetts at Amherst.

**Bruce F. Nardella** has served as Chief Executive Officer and Director since January 2014 and has served as President since December 2009. Mr. Nardella was our President and Chief Operating Officer from December 2009 to December 2013, as well as our Executive Vice President and Chief Operating Officer from May 2007 to December 2009. Mr. Nardella joined the Company in 1996 as a state director and in May 2003 he was named President of our Eastern Division. Prior to that, he was a deputy commissioner for the Massachusetts Department of Youth Services. Mr. Nardella earned a B.A. from Colgate University, an M.A. in Education from Boston University and an M.P.A. from the Kennedy School of Government at Harvard University.

**Denis M. Holler** has served as our Chief Financial Officer and Treasurer since May 2007. Mr. Holler was named Senior Vice President of Finance in January 2002 and led the Company's corporate finance functions through the acquisition of the Company by Vestar in 2006. In addition to overseeing all finance functions of the Company, he manages external relationships with our equity sponsor, investment banking and banking partners and high-yield investors. Prior to joining the Company in October 2000 as Vice President of Financial Operations, Mr. Holler was Chief Financial Officer of the Fortress Corporation. Mr. Holler earned a B.A. from Fordham University, an M.S. in Accounting and an M.B.A. from Northeastern University.

**Neil D. Brendmoen** was named Hastings Operating Group President in July 2014, where he oversees all human services operations in Alabama, Delaware, Florida, Georgia, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, New Jersey, North Carolina, South Carolina and Texas and services for at-risk youth in Indiana, Illinois, Ohio and Pennsylvania. Mr. Brendmoen began his human services career in 1979 as a direct care worker

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in a state institution for individuals with developmental disabilities. Mr. Brendmoen joined REM Minnesota in 1980 as a Program Director before being appointed as Executive Director and Vice President of Operations for the Redwood Operating Group's eastern region. Mr. Brendmoen earned a B.A. from Southwest State University.

**Jeffrey M. Cohen** joined the Company as its Chief Information Officer in November 2011. From 2008 until joining the Company, Mr. Cohen served as Vice President of Information Technology for Magellan Biosciences, a private equity backed medical device company, where he oversaw the strategic transformation of its worldwide IT and communications systems. Prior to that, Mr. Cohen was Director of Information Technology at Biogen Idec, where he was responsible for its ERP, SOX program and ancillary systems for finance, human resources, legal and business development. He started his career at Cambridge Technology Partners, in various consulting roles culminating as a Vice President for its eBusiness practice. Mr. Cohen earned a B.S. from Cornell University and an M.B.A. from the Wharton School at the University of Pennsylvania.

**Linda De Renzo** was named our Chief Legal Officer in March 2011, and has served as our General Counsel and Secretary since March 2006. Ms. De Renzo oversees the corporate, litigation and risk management, regulatory, compliance and labor and employment legal functions. Prior to joining the Company, Ms. De Renzo was a partner at Testa, Hurwitz & Thibault, LLP in Boston from 1992 to 2004 and was an associate with the firm from 1986 to 1992. Ms. De Renzo represented high-growth companies and their financiers in a variety of industries including information technology, life sciences and health services. She also represented both issuers and underwriters in public offerings. She has an advanced professional director certification from the American College of Corporate Directors, a national public company director education organization. Ms. De Renzo earned an A.B. from Dartmouth College and a J.D. from Harvard Law School.

**Kathleen P. Federico** joined the Company in December 2008 as our Senior Vice President, Human Resources, and was named our Chief Human Resources Officer in March 2011. From 2005 until joining the Company, Ms. Federico served as Senior Vice President, Sales and Human Resources, for World Travel Holdings in Woburn, Massachusetts, and was its Senior Vice President, Human Resources, from 2002 to 2005. Prior to that, she served as Vice President of Human Resources for KaBloom LLC, NE Restaurant Company and Sodexo Marriott Services. Ms. Federico was also Chief Operating Officer for Sheehan Associates, an employee benefits brokerage firm. Ms. Federico earned a B.A. from Merrimack College.

**Gerald J. Morrissey, Jr.** was named Chief Quality Officer in July 2014. Mr. Morrissey joined the Company in 2007 as Vice President of Quality Assurance and Service Development. Prior to joining the Company, Mr. Morrissey devoted more than thirty years of his career to the Commonwealth of Massachusetts, having served for four years as Assistant Secretary for Disabilities and Community Services and more than a decade as the Commissioner of the Department of Developmental Services. Mr. Morrissey formerly served as President and Board Member of the National Association of State Directors of Developmental Disabilities Services. Mr. Morrissey earned a B.A. from the University of Massachusetts at Amherst, an M.Ed. from Antioch University, and an M.P.A. from the Kennedy School of Government at Harvard University.

**Robert M. Melia** was named Chief Business Development Officer in July 2014. Mr. Melia joined the Company in 2007, serving first as the head of the affiliated employment services business and then as Senior Vice President, Mergers & Acquisitions, before assuming the role of Cambridge Operating Group President in 2011, which included oversight of human services operations in seventeen states. Prior to joining the Company, Mr. Melia served as President of the Workforce Services Division at MAXIMUS and spent 12 years in a variety of positions at Massachusetts state agencies. Mr. Melia earned a B.A. from the University of Massachusetts and an M.A. in Management of Human Services from the Florence Heller School at Brandeis University.

**David M. Petersen** served as our Redwood Operating Group President since June 2007. He had been serving as Senior Vice President and President of our Central Division since May 2003. Prior to joining the Company, Mr. Petersen worked for REM beginning in 1972, managing various operations in Minnesota, Montana, North Dakota and Wisconsin. Mr. Petersen earned a B.S. and M.A. in Fine Arts from St. Cloud State University.

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***Dwight D. Robson*** was named Chief Public Strategy and Marketing Officer in March 2011 after serving as Vice President of Public Strategy since joining the Company in 2003. He leads the work of the Public Strategy Group, which is responsible for developing and implementing the Company's agenda with respect to communications, investor relations, marketing and proposal development, and government and community affairs. Mr. Robson's experience prior to joining the Company includes senior policy and management positions in Massachusetts state government, most recently as Assistant State Treasurer. Mr. Robson earned a B.A. from the University of Massachusetts.

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**Executive Compensation**

**Compensation Discussion and Analysis**

*Introduction.* This Compensation Discussion and Analysis ( CDA ) describes the compensation arrangements we have with our Named Executive Officers ( NEOs ) as required under the rules of the SEC. The SEC rules require disclosure for our principal executive officer and principal financial officer, regardless of their compensation levels, and our three most highly compensated executive officers in our last completed fiscal year, other than our principal executive officer and principal financial officer.

For fiscal year ended September 30, 2014, our NEOs were:

<b>Name</b>	<b>Position</b>
Bruce F. Nardella	President and Chief Executive Officer, Director
Edward M. Murphy	Executive Chair, Director
Denis M. Holler	Chief Financial Officer, Treasurer
Neil D. Brendmoen	Hastings Operating Group President
Jeffrey M. Cohen	Chief Information Officer

*Compensation Policies and Practices.* The objectives of our executive compensation program are to:

attract and retain top executive talent;

drive accountability for performance by linking annual cash incentive awards to achievement of measurable performance objectives; and

align executive officers with our stockholders, create an ownership culture, and drive long-term business success by providing opportunity for significant equity-based rewards.

Our executive compensation program is designed to reward our executive officers to operate the business in a manner that best serves our clients, payors and other public partners, as well as our stockholders and employees, thereby enhancing equity value. We do this by:

awarding a significant portion of our executives' overall compensation based on our financial performance, specifically, revenue and achievement of earnings before interest, taxes, depreciation and amortization, or EBITDA (with certain adjustments) and including a modifier based on the quality of services managed and work performed;

mitigating undue risk in compensation programs; and

including double-trigger change of control provisions for stock options and restricted stock units. Our executive compensation program provides foundational elements such as base salary and benefits, and the opportunity for significant performance-based annual cash incentives and longer-term equity-based incentives.

*Elements of Compensation.* Each element of our executive compensation program is designed to meet the objectives of our executive compensation program. They are as follows:

base salary;

annual cash incentives;



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long-term incentive compensation in the form of equity;

deferred compensation;

severance benefits and equity vesting upon a change in control; and

other benefits.

Base salaries for our executive officers are designed to recognize the contributions of the executive team and provide a base source of cash income in line with the market for comparable positions. Our annual incentive compensation payouts reward executive officers for achievement of business performance, primarily EBITDA (with certain adjustments) and revenue. In addition, we consider quality of services managed and work performed by the executive officers because we believe that service, quality and growth are inextricably linked with service outcomes and consumer and payor satisfaction. Our equity component of compensation which, prior to the IPO was in the form of equity units in NMH Investment, and post IPO is in the form of Restricted Stock Units and Non-Qualified Stock Options granted by Civitas is designed to reward equity value creation over a longer period of time.

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The charts below highlight each NEO's percentage contribution of salary, non-equity incentive compensation, equity grants and other compensation that comprised their 2014 compensation. Other compensation includes all other compensation paid to the NEOs, including non-qualified deferred compensation and other perquisites.

**Murphy**

**Nardella**

**Holler**

**Brendmoen**

**Cohen**

*Executive Compensation Decisions.* For executive officers, other than the Chief Executive Officer and President and the Executive Chair, the Chief Executive Officer considers performance and makes recommendations to the Compensation Committee on base salary, annual incentive and long-term equity compensation. On at least an annual basis, the Compensation Committee reviews, discusses, modifies and approves, as appropriate, these compensation recommendations. For the Chief Executive Officer and Executive Chair, the Compensation Committee reviews and evaluates the performance of the Chief Executive Officer and Executive Chair and approves their base salary, annual incentive and equity grants. Executive officers do not determine the compensation of the Chief Executive Officer and Executive Chair.

*Executive Compensation Study.* In fiscal 2014 we retained Frederic W. Cook & Co. ( FWC ), a nationally recognized compensation consulting firm to evaluate our executive compensation program. FWC conducted an extensive analysis of the competitiveness and appropriateness of our cash and equity compensation opportunity and made recommendations based on this analysis. FWC reviewed market data from multiple

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commercial survey sources and reviewed public company peer group data. Set forth below is the peer group that FWC used to evaluate compensation. The companies were chosen based on industry (health and human services), and size (revenue and number of employees) as of their then-most recent proxy filings. There were 14 U.S. -based companies, 13 of which were public, with median revenue of \$1.176 billion and a median employee population of 12,662 selected as the peer group. The Compensation Committee has reviewed FWC's analysis and has adopted this list of companies as the Company's peer group.

<b>Name of Company</b>	<b>Revenue (In millions)</b>	<b>Employees</b>
Amedisys Inc.	\$ 1,222	14,300
Amsurg Corp.	\$ 1,083	6,200
Bioscrip, Inc.	\$ 883	3031
Chemed Corp.	\$ 1,405	13,952
Ensign Group Inc	\$ 926	11,372
Gentiva Health Services, Inc.	\$ 1,799	39,200
HealthSouth Corp.	\$ 2,266	23,600
Healthways, Inc.	\$ 675	2,500
Kindred Healthcare, Inc.	\$ 4,922	63,300
LHC Group Inc.	\$ 660	8,186
Mednax	\$ 2,218	8,800
Providence Service Corp.	\$ 1,131	8,547
Res-Care, Inc.	\$ 1,617	49,000
Skilled Healthcare Group, Inc.	\$ 835	15,050

FWC reviewed base salary, annual cash bonus incentives and long-term incentive compensation in the form of equity in the peer group. After completing its review, and presenting its findings to the Compensation Committee Chair, FWC determined that broad adjustments to our executive compensation program were not necessary but that the Compensation Committee should consider increasing the base salaries of our President and Chief Executive Officer and Chief Financial Officer. FWC did not recommend any additional changes to the base salary or incentive compensation of our executive officers but did provide guidance regarding the Company's equity compensation in light of the IPO.

*Base Salary.* Base salary provides executives with a fixed amount of compensation paid on a regular basis throughout the year. The NEOs' base salaries were reviewed in December 2013. At that time, the salaries of each of the NEOs, other than Messrs. Murphy and Nardella, were to remain the same in fiscal year 2014. In light of the management

transition that occurred as of January 1, 2014, the salaries of Messrs. Murphy and Nardella were changed to reflect the corresponding changes in their responsibilities. Accordingly, in connection with Mr. Murphy's election to Executive Chair of the Board of Directors and resignation as Chief Executive Officer, Mr. Murphy's salary was decreased from \$500,000 to \$400,000, as of January 1, 2014. In connection with

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Mr. Nardella's promotion to Chief Executive Officer and his continuing service as President, Mr. Nardella's salary was increased from \$400,000 to \$500,000, as of January 1, 2014. The salary of Mr. Holler was set at \$335,000 per annum and the salary of Mr. Cohen was set at \$275,000 per annum. Mr. Brendmoen was promoted to the Hastings Group Operating President on July 1, 2014 and his salary was set at \$275,000 per annum.

Based on FWC's compensation analysis, prepared in connection with the IPO, FWC found that the base salary of the President and Chief Executive Officer was below a competitive range of the peer group median as well as the survey median. According to FWC, a base salary between \$600,000 and \$650,000 would have elevated the base salary of the Chief Executive Officer to a competitive range. FWC also found that the base salary of the Chief Financial Officer was below a competitive range of the peer group median but within the competitive range of the survey median. After a review of the FWC's recommendations and discussions with Mr. Nardella, the Compensation Committee increased the base salary of Mr. Nardella from \$500,000 per annum to \$575,000 per annum, as of September 1, 2014 and Mr. Holler's base salary was increased from \$335,000 to \$375,000 per annum, as of September 1, 2014.

*Annual Incentive Compensation.* In addition to base salary, each NEO participates in The MENTOR Network Human Services and Corporate Management Incentive Compensation Plan, an annual cash incentive plan, which constitutes the variable, performance-based component of an executive's annual cash compensation. Under the Plan, an executive's incentive compensation payout is determined by first calculating the executive's potential payout based on financial performance and then by applying a quality of services/work modifier followed by a days sales outstanding (DSO) modifier. Based on quality of services and/or quality of work, an executive's potential payout can be reduced by up to 50 percent. This modifier is an important aspect of the Plan as we view quality of services/work as critical to achieving our mission as well as our financial success.

On December 16, 2013, we amended and restated The MENTOR Network Human Services and Corporate Management Incentive Compensation Plan, effective October 1, 2013, to incorporate the modifier for DSO performance. The amended and restated plan applies to fiscal years beginning with fiscal 2014. Specifically, the plan was amended to include a further modifier to the plan to increase or decrease (up to a maximum increase or decrease of ten percent (10%)) of the amount of incentive compensation to be paid to certain employees based on the DSO achieved by us as of the end of fiscal 2014 compared to the target approved by the Chief Executive Officer at the beginning of each fiscal year. Each of the NEOs is subject to the DSO modifier in the calculation of the amount of incentive compensation due to such executive officer in fiscal year 2014. For fiscal 2014, the DSO target of the Company as a whole was 47 days.

For purposes of determining an executive's potential payout, we use a payout scale with payout levels as a percentage of target incentive compensation that corresponds to performance levels. The maximum payout for executive officers (other than Operating Group Presidents) is payable for achievement of 107.5% of the adjusted EBITDA and revenue targets.

For fiscal 2014, the incentive compensation payout opportunity at threshold, target and maximum performance levels was as follows:

	<b>Threshold payout (% of base salary)</b>	<b>Target payout (% of base salary)</b>	<b>Maximum payout (% of base salary)</b>
<b>Officers</b>			
Messrs. Murphy and Nardella	50	100	150

Messrs. Holler and Cohen	25	50	75
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Mr. Brendmoen is not included in the chart because his promotion to Operating Group President did not occur until July 1, 2014. Prior to his promotion, Mr. Brendmoen had a target payout of 30 percent of base salary. Following his promotion, Mr. Brendmoen has the same incentive compensation payout opportunity as Messrs. Holler and Cohen.

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The annual incentive plan for fiscal 2014 was structured to provide incentive compensation based upon our and/or the relevant Operating Group's attainment of certain financial targets for fiscal 2014, which were approved by the Compensation Committee, and includes a rating of quality that considers an individual participant's quality of work or quality of services managed. The Chief Executive Officer and President is responsible for certification of the quality ratings of the executive officers (other than the Executive Chair) and the Compensation Committee is responsible for the certification of the Executive Chair's and Chief Executive Officer's quality rating.

The calculation of awards under the plan followed a three-step process in fiscal 2014.

First, a potential payout was calculated. As in prior years, the potential payout was based on achievement of revenue and adjusted EBITDA goals, adjusted to exclude the revenue and costs relating to companies that were acquired for more than \$3 million during fiscal 2014, certain new program starts that were identified at the beginning of fiscal 2014, and operations identified as discontinued operations in our financial statements, as well as certain additional operations that were closed or sold during fiscal 2014. In fiscal 2014, adjusted EBITDA was weighted 50 percent and revenue was weighted 50 percent for all participants in the plan. The weighting reflects an equal emphasis on promoting organic growth in addition to profitability. Potential payouts for the NEOs (other than Mr. Brendmoen) were calculated based on the consolidated Adjusted EBITDA and revenue results of the Company.

On October 18, 2013 the Compensation Committee approved the following financial targets for the Company for fiscal 2014: Target Revenue of \$1,247.6 million and Target Adjusted EBITDA of \$138.6 million.

The Compensation Committee chose these targets as profitability continues to be a major objective of the Company, while the continuing focus on revenue is meant to incentivize management to expand the Company's overall business in order to grow its adjusted EBITDA.

In the case of the NEOs (other than Mr. Brendmoen), the potential payout ranged from 50% of target for achievement of 92.5% of the Adjusted EBITDA or revenue goals, to 150% of target for achievement of 107.5% of the Adjusted EBITDA or revenue goals. Because Mr. Brendmoen's promotion did not occur until July 1, 2014, his incentive compensation was calculated differently for fiscal year 2014. Going forward, Mr. Brendmoen's payout will be aligned with the other executive officers.

Payouts for performance levels between threshold and target, and between target and maximum, are calculated proportionately. For fiscal year 2014 the Company achieved the following results for incentive compensation purposes: Actual Revenue of \$1,234.4 million and Target Adjusted EBITDA of \$136.7 million.

After calculating the payout amounts, the potential payout was subject to reduction of up to 50% based on the participant's quality of services or work. A participant could also receive no incentive payout, notwithstanding the potential payout calculation or quality rating, if he or she engaged in exceptionally poor conduct or poor performance during the fiscal year.

In fiscal 2014, Messrs. Murphy's and Nardella's potential payout was reduced by 10 percent with respect to quality of services at their own recommendation because of quality issues in one business unit.

The quality modifier was applied in the calculation of incentive compensation of Messrs. Murphy and Nardella because it reinforces our primary mission of providing high-quality services to individuals with disabilities and other challenges and because management strongly believes that service, quality and growth are inextricably linked with service outcomes and the satisfaction of those we serve as well as our payor and referral sources driving our ability to maintain existing levels of service and expand our operation by receiving additional referrals and winning new

contracts. No reduction for quality of services or work was applied to the potential payouts for Messrs. Holler, Brendmoen, or Cohen.



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Performance with respect to DSO for FY 2014 exceeded goals and as a result, each of the executive officers received an increase to their potential payout after any adjustment for quality of services in the amount of 10 percent. Based on the Revenue, Adjusted EBITDA and quality and DSO performance, Messrs. Murphy and Nardella received 92.3% of their target payout. Messrs. Holler and Cohen received 102.6% of their target payout.

Because Mr. Brendmoen was promoted to Hastings Operating Group President as of July 1, 2014 his incentive compensation was calculated differently than the other executive officers. Prior to his promotion, Mr. Brendmoen was a Vice President of Operations for Redwood Operating Group. Because Mr. Brendmoen was promoted nine months into the fiscal year, the Chief Executive Officer determined that Mr. Brendmoen's bonus for fiscal 2014 should be based on the results of the Redwood Operating Group that Mr. Brendmoen managed, not Hastings. Accordingly, Mr. Brendmoen's bonus for fiscal 2014 was determined as follows: 75 percent of his potential payout was based upon the financial results of the portion of the Redwood Operating Group that Mr. Brendmoen previously managed ( REM East ) and 25 percent on Company results. With respect to REM East, the potential payout ranged from 50% of target for the achievement of 92.5% of Adjusted EBITDA/CTO or revenue goals, to 150% of target for achievement of 104% of the Adjusted EBITDA/CTO or revenue goals. Moreover, as a result of his increased compensation that occurred when he was promoted to Operating Group President, 75 percent of his incentive compensation was calculated based on his former annual salary of \$195,000 and target incentive compensation of 30 percent, and 25 percent was based on his new annual salary of \$275,000 and target incentive compensation of 50 percent. Using a weighted average of base salary and target payout and based on the Revenue, Adjusted EBITDA and quality and DSO performance achieved by REM East and the Company, Mr. Brendmoen received 135.2% of his target payout.

Each participant may receive additional discretionary incentive compensation. In the case of executive officers, discretionary incentive compensation is determined by the Chief Executive Officer and approved by the Committee. In fiscal 2014, none of the NEOs received a discretionary award.

On December 16, 2014, the Compensation Committee approved the Fifth Amendment and Restatement of The MENTOR Network Human Services and Corporate Management Incentive Compensation Plan (the 5<sup>th</sup> Amended and Restated IC Plan ). The 5<sup>th</sup> Amended and Restated IC Plan made two changes to the Plan. The first change to the 5<sup>th</sup> Amended and Restated IC Plan was to increase the Company's revenue targets for all executive officers and any Vice President of Financial Planning and Analysis, Human Resources, Quality Assurance and Operations in Hastings and Redwood, as well as the chief financial officers of Hastings and Redwood. The increase in revenue targets takes into account the Company's estimate for revenue to be generated in fiscal year 2015 due to acquisitions. The modification to the Plan is designed to reward senior management for successfully executing and integrating acquisitions. The second change to the Plan is to the calculation of the quality modifier. Previously, the quality modifier applied to 50 percent of a payout. As a result, if incentive compensation was to be reduced by 10%, the participant would have received a quality rating of 80%. In an effort to be simpler and more transparent, management decided that 100 percent of the payout should be subject to a quality modifier and that the rating should correspond directly to the payout amount. Under the 5<sup>th</sup> Amended and Restated IC Plan, a 10% reduction would be applied to a 90% quality rating.

#### *Equity-Based Compensation.*

*NMH Investment, LLC.* Prior to the IPO, long-term incentive compensation was provided in the form of non-voting equity units in NMH Investment, pursuant to the NMH Investment 2006 Unit Plan. The plan allows certain of our officers, employees, directors and consultants to participate in our long-term growth and financial success through acquisition of equity interests in NMH Investment, including Class B, Class C, Class D, Class E, Class F, Class G and Class H Common Units of NMH Investment. The purpose of the plan was to promote our long-term growth and profitability by aligning the interests of our management with the interests of our ultimate parent and by encouraging

retention. The plan is administered by the Committee which recommends awards to the management committee of NMH Investment. The management committee determines, among other things, specific participants in the plan as well as the amount and value of any units awarded.

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In connection with the acquisition of the Company in 2006 by affiliates of Vestar, a pool of units was set aside for management employees, including Messrs. Murphy, Nardella, Holler and Brendmoen, and granted to executive officers during the second quarter of fiscal 2007. Messrs. Holler and Nardella received additional grants of B, C and D Common Units during fiscal 2007 in recognition of their promotions, and each of Messrs. Murphy, Nardella, Holler and Brendmoen received subsequent grants of B, C and D Common Units during the fourth quarter of fiscal 2008. All of the Class B, C and D Common Units that had been unvested became vested during fiscal 2011 concurrently with the creation of a new pool of Class F Common Units. In June 2011, the Class F Common Units were issued to management employees, including all of the NEOs, other than Mr. Cohen. The earned equity program was designed to motivate management to achieve financial results that would enhance the valuation of the Company upon a sale of the Company or other liquidity event. Pursuant to the terms of NMH Investment's limited liability company agreement, holders of the Class B, C, D and F Common Units would receive distributions representing 10% of the total increase in common equity value upon a sale or other liquidity event involving NMH Investment.

In November 2011, Mr. Cohen joined the Company and in January 2012, he was issued 100,000 Class F Common Units.

In 2012, based upon the recommendation of a previously engaged compensation consultant and following numerous conversations between our then-current Chief Executive Officer and members of the Board of Directors in which equity compensation was considered and discussed, NMH Investment decided to grant earned equity to the executive officers and certain other senior leaders of the Company. On August 13, 2012, a new pool of Class G Common Units and Class H Common Units was created and on September 20, 2012, 1,000,000 Class H Common Units were issued to Messrs. Murphy, Nardella and Holler and other executive officers and 130,000 Class G Common Units were issued to employees, including Messrs. Brendmoen and Cohen. The Compensation Committee designed the Class H Common Units to have the potential to more tightly align management and equity sponsor interests in creating stockholder value.

In connection with his promotion to Chief Executive Officer in January 2014, NMH Investment issued 100,000 Class F Common Units and 100,000 Class H Common Units to Mr. Nardella. The Class F Common Units are scheduled to vest over a three-year period.

In connection with the IPO, we amended the terms of the Class H Common Units so that they vest upon the earlier to occur of a sale of the Company and the achievement of a multiple of investment return threshold by Vestar and its affiliates. Once vested, the holders of Class H Units are entitled to receive between 0.0% and 5.0% of the common equity value distributed by NMH Investment to its unitholders depending upon the multiple of investment achieved by Vestar and its affiliates.

As of the IPO, all of the Class A, B, C, D and G Units had vested and all Class F Units held by executive officers (other than those issued to Mr. Nardella in January 2014) had vested. None of the Class H Common Units had vested as of December 31, 2014.

If an executive's employment is terminated, NMH Investment may repurchase the executive's Class B, C, D and F Common Units, and all unvested Class H Common Units will be forfeited (or Class G Common Units, as applicable). Class B, C, D and F Common Units that are already vested would be purchased for fair market value, except in the case of a termination for cause. In the case of a termination for cause, the units would be purchased at cost (or forfeited with no payment, in the case of the Class F and H Common Units, or Class G Common Units, as applicable). If an executive officer's employment is terminated due to death, disability or retirement prior to the earlier of certain specified events, the NEO and each of his or her permitted transferees (collectively, the NEO group) has the right, subject to certain limitations, for 45 days following the six month anniversary of his or her termination, to sell to

NMH Investment, on one occasion, a number of Class F Common Units equal to a specified percentage (the specified percentage ) of the total number of Class F Common Units

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held by the NEO group, at a purchase price equal to fair market value (the put right). In order to exercise this put right, the NEO group will also be required to simultaneously sell to NMH Investment a number of Class B, C and D Common Units equal to the specified percentage of the total number of such Class B, C and D Common Units held by the NEO group.

*2014 Omnibus Incentive Plan.*

In connection with the IPO, we adopted the 2014 Omnibus Incentive Plan (the 2014 Incentive Plan). The 2014 Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards. Directors, officers and other employees of us and our subsidiaries, as well as others performing consulting or advisory services for us, are eligible for grants under the 2014 Incentive Plan. The purpose of the 2014 Incentive Plan is to provide incentives that will attract, retain and motivate high performing officers, directors, employees and consultants by providing them with appropriate incentives and rewards either through an ownership interest in our long-term success or compensation based on their performance in fulfilling their personal responsibilities.

In connection with the IPO, we granted equity awards under the 2014 Incentive Plan to our employees and our non-management directors who are not affiliated with Vestar. The awards to our employees, including our executive officers, were in the form of stock options ( NQSOs ) and restricted stock units ( RSUs ) that vest in equal annual increments over a three year period. We awarded stock options to purchase an aggregate of 559,572 shares of common stock with an aggregate value of \$4.3 million and an aggregate of 523,422 RSUs with an aggregate value of \$8.9 million to our employees.

In connection with the IPO, we granted NQSOs and/or RSUs to our directors, executive officers and other senior management. Accordingly, Mr. Nardella received a grant of NQSOs and RSUs in value equal to 375% of his annual base salary. Mr. Murphy received a grant of NQSOs and RSUs equal to 187.5% of his salary. Messrs. Holler, Cohen and Brendmoen each received a grant of NQSOs and RSUs equal to 112.5% of his salary. The NQSOs and RSUs for the executive officers vest over a three year period beginning September 16, 2014 and for the directors vest over a one year period beginning September 16, 2014.

In addition to the grants based on annual salary, the Compensation Committee, after lengthy discussions with the Chief Executive Officer and Executive Chair, decided to grant Mr. Cohen and Mr. Brendmoen with additional RSUs to give Messrs. Cohen and Brendmoen greater parity to the equity held by other executive officers. Accordingly, Mr. Brendmoen received an additional 22,798 RSUs (valued at \$387,571) and Mr. Cohen received an additional 18,387 RSUs (valued at \$312,586). The additional RSUs granted to Messrs. Brendmoen and Cohen vest over a three year period with a vesting period beginning July 1, 2014.

*Deferred Compensation.* Under the National Mentor Holdings, LLC Executive Deferred Compensation Plan, the NEOs receive an allocation to their account based on a percentage of base salary. Mr. Murphy receives an allocation of 13% and Mr. Holler receives an allocation of 11% and Mr. Cohen receives an allocation of 9%. In connection with Mr. Nardella's promotion, the percentage of base salary allocated to Mr. Nardella as of January 1, 2014 was increased from 12% to 13%. In connection with Mr. Brendmoen's promotion, he is eligible to receive an allocation of 9% beginning July 1, 2014. These allocations are made as of the end of the plan year, December 31, for service rendered during the prior fiscal year. The balances earn a return, which for plan years 2014, 2013 and 2012 was a fixed rate of 6%. The plan is an unfunded, nonqualified deferred compensation arrangement, which provides deferred compensation to the executive officers. We may make additional discretionary allocations to the plan, although we did not do so in fiscal 2014. A participant's account balance is 100% vested and non-forfeitable and will be distributed to a participant following his or her retirement or termination from us, disability or death, or at our direction under certain

circumstances.

A 401(k) plan is available to eligible employees, including the NEOs. Under the plan, we may make an annual discretionary matching contribution and/or profit-sharing contribution. To supplement the 401(k) plan, the

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National Mentor Holdings, LLC Executive Deferral Plan is available to highly compensated employees (as defined by Section 414(q) of the Internal Revenue Code), including the NEOs. Participants may contribute up to 100% of salary and/or incentive compensation bonus earned during the plan year. This plan is a nonqualified deferred compensation arrangement and is coordinated with our 401(k) plan so as to maximize a participant's contributions and the Company's matching contributions to the 401(k) plan, with the residual remaining in the Executive Deferral Plan. Amounts contributed to the 401(k) and/or Executive Deferral Plan are matched by us up to 1.5% of base salary (subject to Internal Revenue Service (IRS) compensation limits). Distributions are made upon a participant's termination of employment, disability, death, retirement or at a time specified by the participant when he or she makes a deferral election. Participants can elect to have distributions made in a lump sum or in monthly installments over a five-year period. A specific-date election may be made only in a lump sum. We have established a grantor trust to accumulate assets to provide for the obligations under the plan. Any assets of the grantor trust are subject to the claims of our general creditors.

*Severance and Change-in-Control Benefits.* In connection with the IPO, we entered into an amended and restated employment agreement with Mr. Nardella and a third amended and restated employment agreement with Mr. Murphy. We also entered into employment agreements with each executive officer as of September 17, 2014. Each of these agreements provides for severance benefits to be paid to the NEO if the Company terminates his employment without cause or he resigns for good reason, each as defined in the applicable agreement.

*Other Benefits.* The NEOs are entitled to participate in group health and welfare benefits on the same basis as all regular, full-time employees. These benefits include medical, dental, vision care, flexible spending accounts, term life insurance, short-term and long-term disability insurance and other benefits. In addition, all employees, including the executive officers, have the option of purchasing supplemental group term life insurance for themselves as well as coverage for their spouses and dependent children. Executive officers may also elect to receive Company-paid parking (plus gross-up for tax liability) and supplemental disability insurance and long-term care insurance, with the premiums paid for by us.

*Compensation Risk.* The Compensation Committee has considered the compensation policies and practices throughout the Company to assess the risks presented by such policies and practices. Based on this review, we have determined that such policies and practices are not reasonably likely to have a material adverse effect on us. In reaching this determination, we have taken into account the following design elements of our compensation programs and policies and practices: mixture of cash and equity opportunities, use of performance-based pay vehicles, use of financial metrics that are easily capable of review and avoidance of uncapped rewards.

**Fiscal 2014 Summary Compensation Table**

Name and Principal Position	Fiscal Year	Salary (\$ (a))	Bonus (\$ (b))	Equity Awards (\$ (c))	Non-Equity	Nonqualified	All	Total (\$)
					Compensation (\$ (d))	Incentive Plan Compensation Earnings (\$ (e))	Deferred Compensation Other (\$ (f))	
Edward M. Murphy	2014	429,073	0	750,000	369,321	10,881	77,555	1,636,830
Executive Chair (former	2013	461,923			470,858	12,577	82,269	1,027,627
Chief								
Executive Officer)	2012	350,000			335,760	11,217	68,091	765,069

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Bruce F. Nardella	2014	482,885	0	2,323,250(g)	530,899	44,640	73,999	3,455,673
President and Chief Executive Officer	2013	375,250			282,515	61,289	57,354	776,408
Officer	2012	302,500			217,644	47,829	48,097	616,070
Denis M. Holler	2014	343,495	0	210,938	192,355	52,971	50,067	849,824
Chief Financial Officer and Treasurer	2013	322,308			157,737	65,449	47,613	593,107
Treasurer	2012	285,000			136,702	73,353	43,318	538,374
Neil D. Brendmoen	2014	211,667	0	696,946	109,681	6,442	10,886	1,035,621
President, Hastings Operating Group								
Jeffrey M. Cohen	2014	279,879	0	621,961	141,060	1,426	32,283	1,076,610
Chief Information Officer								



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- (a) Includes individual's pre-tax contributions to health plans and contributions to retirement plans.
- (b) No bonuses were awarded to an NEO in fiscal years 2012, 2013 or 2014.
- (c) Other than the Class F Common Units awarded to Mr. Nardella (as further discussed in footnote g below), figures represent respective grant date fair value of the NQSOs and RSUs granted pursuant to the 2014 Incentive Plan.
- (d) Represents cash bonuses under The MENTOR Network Human Services and Corporate Management Incentive Compensation Plan.
- (e) Represents earnings in excess of 120% of the applicable federal long-term rate under the Executive Deferred Compensation Plan and the Executive Deferral Plan.
- (f) Includes Company contributions to the Executive Deferred Compensation Plan and the Company match on executive contributions to the 401(k) plan and Executive Deferral Plan. The amounts in this column were estimated at the time and have not been restated, as any differences were immaterial. Also included are Company paid parking, tax gross-ups for Company paid parking, imputed income on group term life insurance premiums and Company contributions for supplemental disability insurance and long-term care insurance premiums available to the executive officers. For fiscal 2014, the components of All Other Compensation were as follows:

	<b>Company Contributions to Executive Deferred Compensation Plan (\$)</b>	<b>Company Match on Contributions to 401(k) and Executive Deferral Plan (\$)</b>	<b>Company Paid Parking (\$)</b>	<b>Gross-ups (\$)</b>	<b>Group Term Life Insurance (\$)</b>	<b>Supplemental Disability Insurance (\$)</b>	<b>Long-Term Care Insurance (\$)</b>
Edward M. Murphy	55,250	3,881	1,260	586	3,213	5,563	7,803
Bruce F. Nardella	61,563	3,881	1,260	586	1,813	2,313	2,583
Denis M. Holler	37,217	3,881	1,260	586	2,111	2,565	2,446
Neil D. Brendmoen	6,187.50	3,881	--	--	817	--	--
Jeffrey M. Cohen	23,783	3,881	--	--	407	1,710	2,548

- (g) Includes \$167,000 in respect of estimated value of Class F Common Units that were granted to Mr. Nardella in connection with his promotion to Chief Executive Officer in January 2014.

**Grants of Plan-Based Awards in Fiscal 2014*****Estimated Possible Payouts Under Non-Equity Incentive Plan***

The amounts below represent potential payouts relating to fiscal 2014 under The MENTOR Network Human Services and Corporate Management Incentive Compensation Plan based on percentages of base salary as in effect at September 30, 2014. For a description of the plan, see Compensation Discussion and Analysis Annual Incentive Compensation .

<b>Name</b>	<b>Threshold (\$)</b>	<b>Target (\$)</b>	<b>Maximum (\$)</b>
Edward M. Murphy	200,000	400,000	600,000
Bruce F. Nardella	287,500	575,000	862,500
Denis M. Holler	93,700	187,500	281,250
Neil D. Brendmoen	68,750	137,500	206,250
Jeffrey M. Cohen	68,750	137,500	206,250

**Table of Contents****Outstanding Equity Awards at Fiscal 2014 Year-End**

In connection with the IPO, each NEO received NQSOs and RSUs. Below is a chart of the NQSOs and RSUs of the Company issued to the NEOs in the fiscal year ended September 30, 2014.

Name	Number of Securities Underlying Unexercised Options (# Exercisable)	Number of Securities Underlying Unexercised Options (# Not Exercisable)	Option Exercise Price	Option Expiration Date	Number of Shares Of Units of Stock that Have Not Vested	Market Value of Shares of Stock that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares
Edward M. Murphy	48,911		\$ 17.00	9/16/2024	22,059	\$ 15.62	\$ 344,561.58
Bruce F. Nardella	140,619		\$ 17.00	9/16/2024	63,419	\$ 15.62	\$ 990,604.78
Denis M. Holler	27,512		\$ 17.00	9/16/2024	12,408	\$ 15.62	\$ 193,812.96
Neil D. Brendmoen	20,176		\$ 17.00	9/16/2024	31,897	\$ 15.62	\$ 498,231.14
Jeffrey M. Cohen	20,176		\$ 17.00	9/16/2024	27,486	\$ 15.62	\$ 429,331.32

The following shows the units of NMH Investment held by the NEOs that were outstanding at fiscal year-end.

Name	Number and Class of Earned Units Not Vested (#)	Equity Incentive Plan Awards	
		Payout Value of Earned Units Not Vested (\$) (i)	Number and Class of Unearned Units Not Vested (#)
Edward M. Murphy	664.13 B Common Units(a)	3,466.76	
	696.90 C Common Units(a)	3,623.88	
	26,095.96 D Common Units(a)	135,177.07	
	6,737.50 B Common Units(b)	35,169.75	
	7,070.00 C Common Units(b)	36,764.00	
	7,490.00 D Common Units(b)	38,798.20	
	701,245.51 F Common Units(c)	3,625,439.29	
			200,000 H Common Units(d)
			2,308,000.00
Bruce F. Nardella	664.13 B Common Units(a)	3,466.76	
	696.90 C Common Units(a)	3,623.88	
	21,723.95 D Common Units(a)	112,530.06	
	962.50 B Common Units(f)	5,024.25	
	1,010.00 C Common Units(f)	5,252.00	

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	1,070.00 D Common Units(f)	5,542.60		
	5,775.00 B Common Units(b)	30,145.50		
	6,060.00 C Common Units(b)	31,512.00		
	6,420.00 D Common Units(b)	33,255.60		
	455,617.52 F Common Units(c)	2,355,542.58		
			100,000 F Common Units(e)	517,000.00
			100,000 H Common Units(d)	1,154,000.00
			150,000 H Common Units (e)	1,731,000.00
Denis M.	664.13 B Common Units(a)	3,466.76		
Holler	696.90 C Common Units(a)	3,623.88		
	21,723.95 D Common Units(a)	112,530.06		
	481.25 B Common Units(f)	2,512.13		
	505.00 C Common Units(f)	2,626.00		
	535.00 D Common Units(f)	2,771.30		
	6,256.25 B Common Units(b)	32,657.63		
	6,565.00 C Common Units(b)	34,138.00		
	6,955.00 D Common Units(b)	36,026.91		
	355,617.52 F Common Units(c)	1,838,542.58		
			150,000 H Common Units(d)	1,731,000.00
Neil D.				
Brendmoen	2,406.25 B Common Units(b)	12,560.63		
	2,525.00 C Common Units(b)	13,130.00		
	2,675.00 D Common Units(b)	13,856.50		
	47,393.75 F Common Units(c)	245,025.43		
	10,000.00 G Common Units(g)	288,600.00		
Jeffrey M.				
Cohen	66,666.67 F Common Units(h)	344,666.68		
	10,000.00 G Common Units(g)	288,600.00		
			33,333.33 F Common Units(h)	172,333.32

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- (a) Granted on August 22, 2008 in connection with compensatory grants under the NMH Investment, LLC 2006 Unit Plan, as amended. The units fully vested on May 10, 2011. Because payment of the value of the B, C and D Common Units is deferred until termination of a recipient's employment with the Company or the occurrence of a liquidity event, we have included all such awards under the column for equity incentive plan awards that have been earned but have not vested. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (b) Granted on January 12, 2007 in connection with the initial compensatory grants under the NMH Investment, LLC 2006 Unit Plan. The units fully vested on May 10, 2011. Because payment of the value of the B, C and D Common Units is deferred until termination of a recipient's employment with the Company or the occurrence of a liquidity event, we have included all such awards under the column for equity incentive plan awards that have been earned but have not vested. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (c) Granted on June 15, 2011, in connection with compensatory grants under the NMH Investment, LLC 2006 Unit Plan, as amended. The units were 75% vested upon grant date, and the remaining 25% vested on December 15, 2012. Because payment of the value of the F Common Units is deferred until termination of a recipient's employment with the Company or the occurrence of a liquidity event, we have included all such awards under the column for equity incentive plan awards that have been earned but have not vested. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation . The F Common Units are subject to a put right of the NEOs, as described under Compensation Discussion and Analysis Equity-Based Compensation .
- (d) Granted on September 20, 2012 in connection with compensatory grants under the NMH Investment, LLC 2006 Unit Plan, as amended. The units will vest if and to the extent that the multiple of investment received by Vestar and its affiliates meets or exceeds 1.5. Because payment of the value of the H Common Units is deferred until the occurrence of a specified liquidity threshold, we have included all such awards under the column for equity incentive plan awards that have not been earned and have not vested. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (e) In connection with his promotion to Chief Executive Officer effective as of January 1, 2014, Mr. Nardella was granted 100,000 F Common Units and 100,000 H Common Units. Pursuant to the terms of his Class F-1 MUSA, one third (or 33,333) of Mr. Nardella's Class F Units vested as of January 24, 2015. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (f) Granted on August 14, 2007 under the NMH Investment, LLC 2006 Unit Plan, as amended, in recognition of the NEO's promotion. The units fully vested on May 10, 2011, to the extent not already vested. Because payment of the value of the B, C and D Common Units is deferred until termination of a recipient's employment with the Company or the occurrence of a liquidity event, we have included all such awards under the column for equity incentive plan awards that have been earned but have not vested. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (g) Granted on September 14, 2012 in connection with compensatory grants under the NMH Investment, LLC 2006 LLC Unit Plan, as amended. The G Common Units fully vested upon the completion of the IPO. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation .
- (h) Granted on January 18, 2012 pursuant to the NMH Investment, LLC 2006 Unit Plan, as amended, following Mr. Cohen's hiring as Chief Information Officer in November 2011. Mr. Cohen's F Units fully vested as of January 15, 2015. Vesting is explained in more detail above, under Compensation Discussion and Analysis Equity-Based Compensation . The F Common Units are subject to a put right of the NEOs, as described under Compensation Discussion and Analysis Equity-Based Compensation .
- (i) To estimate the value of the units, the Company used the stock price of Civitas as of year-end (\$15.62 per share) to calculate the enterprise value of the Company. The value of each unit was then determined based on the distribution scheme for each unit provided for in NMH Investment LLC's Operating Agreement. The estimated value using this calculation has been determined to be \$5.22 per Class B Common Unit, \$5.20 per Class C

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Common Unit, \$5.18 per Class D Common Unit, \$5.17 per Class F Common Unit, \$28.86 per Class G Common Unit and \$11.54 per Class H Common Unit. For purposes of calculating the estimated value, we assumed hypothetical transaction costs in a liquidity event of the Company.

**Table of Contents****Option Exercises and Stock Vested**

No options were exercised during fiscal 2014. None of the units issued by NMH Investment nor any NQSOs or RSUs granted to the NEOs in connection with the IPO vested in fiscal year 2014.

**Pension Benefits**

We do not have any pension plans.

**Fiscal 2014 Nonqualified Deferred Compensation**

Name	Executive	Company	Aggregate	Aggregate	Aggregate
	Contributions	Contributions	Earnings		
	in Last	in Last	in Last	Distributions	at
	Fiscal Year	Fiscal Year	Fiscal Year		Last
					Fiscal
					Year
					End
	(\$)	(\$)	(\$)	(\$)	(\$)
	(a)(b)	(b)(c)	(b)(d)	(e)	(f)
Edward M. Murphy	12,831	59,131	33,721		644,375
Bruce F. Nardella	66,382	65,444	73,369	1,221	887,618
Denis M. Holler	6,746	41,098	81,127		1,063,371
Neil D. Brendmoen	18,729	10,069	11,040	9,138	150,585
Jeffrey M. Cohen	15,000	27,619	3,355	3,350	74,904
-					

- (a) Represents amounts contributed to the Executive Deferral Plan during fiscal 2014. The Executive Deferral Plan is available to highly compensated employees to supplement the 401(k) plan. For details about the plan, see Compensation Discussion and Analysis Deferred Compensation, above.
- (b) All of the amounts reported under Executive Contributions in Last Fiscal Year and Company Contributions in Last Fiscal Year are reported as compensation for fiscal 2014 in the Summary Compensation Table. Under Aggregate Earnings in Last Fiscal Year, the following amounts are reported as compensation in the Summary Compensation Table that were in excess of 120% of the applicable federal long-term rate are as follows:

Edward M. Murphy	\$ 10,881
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Bruce F. Nardella	44,640
Denis M. Holler	52,971
Neil D. Brendmoen	6,442
Jeffrey M. Cohen	1,426

- (c) Represents Company match (up to 1.5% of base salary) on executive contributions to the Executive Deferral Plan, plus Company contributions to the Executive Deferred Compensation Plan. The Executive Deferred Compensation Plan is an unfunded, nonqualified deferred compensation arrangement to provide deferred compensation to executive officers. For details about both these plans, see Compensation Discussion and Analysis Deferred Compensation above.



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- (d) Represents the 6% return credited to the participant's account in the Executive Deferred Compensation Plan for balances in fiscal 2014, plus the executive's respective returns for amounts invested in the Executive Deferral Plan.
- (e) Represents amounts withdrawn from the Executive Deferral Plan and deposited into the executive's respective 401(k) account in accordance with IRS rules.
- (f) Represents aggregate balances in Executive Deferral Plan and Executive Deferred Compensation Plan for each executive as of fiscal year-end. Of the amounts in this column, the following amounts have been reported as Company contributions in the All Other Compensation column in the Summary Compensation Table for fiscal 2014, fiscal 2013 and fiscal 2012.

	<b>Fiscal</b>	<b>Fiscal</b>	<b>Fiscal</b>
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Edward M. Murphy	\$ 59,131	\$ 63,931	\$ 49,231
Bruce F. Nardella	65,444	48,881	40,031
Denis M. Holler	41,098	39,281	35,081
Neil D. Brendmoen	10,069		
Jeffrey M. Cohen	27,619		

**Severance and Employment Agreements**

In connection with the IPO, we amended the employment agreements with Messrs. Murphy and Nardella. Mr. Murphy's employment agreement provides for an annual base salary of \$400,000 with an annual bonus from the incentive compensation plan equal to no less than Mr. Murphy's base salary if the Company reaches certain yearly determined performance objectives and an initial term of one-year after which the agreement automatically renews each year for a one-year term, unless terminated earlier by the parties. Mr. Nardella's employment agreement provides for an annual base salary of \$575,000 with an annual bonus from the incentive compensation plan equal to no less than Mr. Nardella's base salary if the Company reaches certain yearly determined performance objectives and an initial three-year term after which the agreement automatically renews each year for a one-year term, unless terminated earlier by the parties. Each of Messrs. Murphy and Nardella's employment agreement was modified to provide as follows: (i) if Mr. Murphy or Mr. Nardella is terminated due to death or disability, he is entitled to accelerated vesting of a pro rata portion of his unvested time-based equity awards under the 2014 Incentive Plan and accelerated vesting of all of his unvested Class F Common Units and Class H Common Units, (ii) if Mr. Murphy or Mr. Nardella is terminated (other than for cause and other than due to death or disability) within six months prior to or 24 months following a change in control, he is entitled to accelerated vesting of all of his unvested time-based equity awards under the 2014 Incentive Plan and accelerated vesting of all of his unvested Class F Common Units and Class H Common Units. The payment of severance benefits will be conditioned upon the execution and non-revocation of a release. The amended employment agreements also revise the definition of the scope of our business for purposes of the noncompetition and nonsolicitation provisions set forth therein.

In connection with the IPO, we entered into new employment agreements with each of our executive officers who had a severance agreement (including Messrs. Holler, Cohen and Brendmoen, who are NEOs). The employment agreements addressed the terms not covered by the previous severance agreements, including (i) making explicit that the agreement has a term of one year with automatic renewals unless terminated in accordance with the agreement, (ii) specifying the individual's position, duties, annual base salary and target bonus and (iii) providing for customary business expense reimbursement. The employment agreements for these executive officers provides that if the

executive officer is terminated without cause or resigns for good reason, he will be, subject to execution and non-revocation of a release, entitled to (i) continued payment of his base salary for one year, (ii) payment of an amount equal to his target bonus, (iii) payment of a pro rata bonus for the year in which such termination occurs if termination occurs within the second half of the year and (iv) a

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monthly payment of \$2,000 for 24 months. If the executive officer is terminated due to death or disability, he is entitled to (i) payment of a pro rata bonus for the year in which such termination occurs and (ii) accelerated vesting of a pro rata portion of his unvested time-based equity awards and accelerated vesting of his unvested Class F Common Units and Class H Common Units. If the executive officer is terminated (other than for cause and other than due to death or disability) within six months prior to or 24 months following a change in control, he is entitled to (i) the same severance payments as provided for in the event of a termination without cause or for good reason, except that the payment of his base salary will continue for 18 months instead of 12 months following such termination and (ii) accelerated vesting of all of his unvested time-based equity awards under the 2014 Incentive Plan and accelerated vesting of all of his unvested Class F Common Units and Class H Common Units. In addition the new employment agreements update the description of the scope of our business for purposes of the noncompetition and nonsolicitation provisions set forth therein.

**Estimated Severance and Change-in-Control Payments**

The employment agreements of the executive officers provide for severance benefits in the event of termination under certain circumstances. The following table shows the amount of potential severance benefits for the NEOs pursuant to their employment or severance arrangements, assuming (1) the NEO was terminated under circumstances qualifying for the benefits, (2) the termination occurred six months prior to or twelve months following a change of control and (3) that termination occurred as of September 30, 2014, our fiscal year-end.

<b>Name</b>	<b>Salary (\$ (a))</b>	<b>Bonus (\$ (b))</b>	<b>Value of Continued Benefits (\$ (c))</b>	<b>Total (\$)</b>
Edward M. Murphy	800,000	1,196,321	48,000	2,044,321
Bruce F. Nardella	1,150,000	1,680,899	48,000	2,878,321
Denis M. Holler	562,500	379,855	48,000	990,355
Neil D. Brendmoen	412,500	247,181	48,000	707,681
Jeffrey M. Cohen	412,500	278,560	48,000	739,060

- (a) Under Messrs. Murphy and Nardella's employment agreements, salary would continue for two years. For each of the other NEOs, if there is a termination without cause or resignation for good reason but no change of control, then salary would continue for twelve months upon a termination as of September 30, 2014. These amounts would be payable over time in accordance with the Company's regular payroll practices.
- (b) Messrs. Murphy and Nardella would receive an amount equal to his earned but unpaid bonus as of September 30, 2014 plus his target annual bonus of 100 percent of base salary under the incentive compensation plan for two years after termination. Each of the other NEOs would receive an amount equal to his earned but unpaid bonus as of September 30, 2014 plus his target annual bonus of 50 percent of the NEO's salary for one year following the date of termination. These amounts would be payable over time in accordance with the Company's regular payroll practices.

- (c) Under each NEO's employment agreement, each NEO is entitled to receive \$2,000 per month for 24 months in lieu of continuing health and welfare benefits.

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**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

*Compensation Committee*

Chris A. Durbin (Chair)

James L. Elrod, Jr.

Guy Sansone

**Table of Contents****Equity Compensation Plan Information**

The following table provides information as of September 30, 2014 regarding the number of shares of our common stock that may be issued under our equity compensation plans:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)(a)</b>
Equity Compensation Plans Approved by Stockholders	559,572	\$17	2,328,601
Equity Compensation Plans Not Approved by Stockholders	N/A	N/A	N/A

- (a) Pursuant to the terms of the 2014 Incentive Plan, the aggregate number of shares of common stock which may be issued or used for reference purposes under the 2014 Incentive Plan or with respect to awards which may be granted is 3,325,500 shares. This number will automatically increase on the first day of each fiscal year the 2014 Incentive Plan is in effect by 3.0% of the total number of shares of common stock outstanding on the last day of the immediately preceding fiscal year or a lesser amount determined by the Compensation Committee.

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**Certain Relationships and Related Party Transactions**

**Limited Liability Company Agreement**

On September 16, 2014, NMH Investment entered into the Seventh Amended and Restated Limited Liability Company Agreement (as amended, the Limited Liability Company Agreement ) by and among NMH Investment, Vestar, an affiliate of Vestar, the management and director investors and future parties to such agreement. Under the Limited Liability Company Agreement, the management committee of NMH Investment consists of members elected by a plurality vote of the holders of NMH Investment's Class A Common Units consisting of the designees of Vestar as determined in accordance with the Securityholders Agreement described below and one additional person. The management committee has four members. Subject to the terms of the Securityholders Agreement, any member of the management committee may be removed at any time by the holders of a majority of the total voting power of the outstanding Class A Common Units.

The management committee manages and controls the business and affairs of NMH Investment and has the power to, among other things, amend the Limited Liability Company Agreement, approve any significant corporate transactions and appoint officers. It can also delegate such authority by agreement or authorization.

The Limited Liability Company Agreement also contains agreements among the parties with respect to the allocation of net income and net loss and the distribution of assets among the holders of the Preferred Units and the Common Units. The value of the Preferred Units accrues over time so that holders of the Preferred Units are entitled to receive a specified rate of return upon distributions by NMH Investment prior to any distributions in respect of the Common Units. On July 5, 2007, the Company paid a dividend to its parent, NMH Investment, which was used by NMH Investment to pay a return of capital with respect to its Preferred Units. NMH Investment froze the accrual of the Preferred Units as of December 31, 2010, and NMH Investment restarted the accrual of the Preferred Units from July 1, 2013.

**Management Unit Subscription Agreements**

In connection with the acquisition of NMH Investment by Vestar on June 29, 2006, NMH Investment entered into several agreements with management investors and with Mr. Torres, pursuant to which such investors subscribed for and purchased Preferred Units and Class A Common Units (which is the only class of voting equity interests in NMH Investment). Robert Melia, our Chief Business Development Officer, and Kathleen Federico, our Chief Human Resources Officer, also subscribed for and purchased Preferred Units and Class A Common Units after their respective start dates with the Company. The Preferred Units and 30% of the Class A Common Units were vested with respect to appreciation upon issuance. The remaining 70% of the units vested ratably over 49 months, and thus all of the issuances are fully vested.

In addition, NMH Investment has previously entered into agreements with management investors, including all of the executive officers, whereby such management investors were granted non-voting Class B management Common Units, Class C Common Units, Class D Common Units, Class F Common Units and/or, for certain investors, Class G Common Units or Class H Common Units, all at either nominal or no cost. The Class B, Class C and Class D Common Units' rights to share in an increase in value of NMH Investment are fully vested for all holders. With respect to the executive officers except for Mr. Cohen, based on the fact they were hired before December 31, 2008, the Class F Common units were 75% vested when issued, and the remaining 25% vested as of December 15, 2012. Mr. Cohen was issued Class F Common Units at no cost in December 2011 after he joined the Company. In connection with his promotion, Mr. Nardella was issued Class F Common Units at no cost in January 2014. Mr. Cohen's and Mr. Nardella's Class F Common Units are vesting over a three-year period, with one-third vesting each year upon the anniversary of

the date the units were issued. Mr. Cohen's Class F Common Units fully vested as of December 31, 2014. The Class G Common Units vested upon the consummation of our IPO. The agreement governing the Class H Common Units originally provided that such



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units would vest upon the consummation of a sale of the Company. In connection with our IPO, we amended the terms of the Class H Common Units so that they will vest upon the earlier to occur of a sale of the Company and the achievement of a multiple of investment return threshold by Vestar and its affiliates.

In the aggregate, the Class B, Class C, Class D and Class F Common Units represent the right to receive 10.0% of the increase in value of the common equity interests in NMH Investment. The Class G Common Units will share with the Class A Common Units the increase in value of the common equity interests in NMH Investment that was formerly allocated solely to the Class A Common Units. Once vested, the holders of Class H Common Units will be entitled to receive between 0.0% and 5.0% of the common equity value distributed by NMH Investments to its unitholders depending upon the multiple of investment achieved by Vestar and its affiliates.

NMH Investment may be required to purchase a certain percentage of an executive officer's Preferred, Class A, Class B, Class C, Class D and Class F Common Units in the event of such investor's disability, death or retirement. In addition, NMH Investment has the right to purchase all or a portion of a management investor's units upon the termination of such investor's active employment with the Company or its affiliates. The price at which the units will be purchased will vary depending on a number of factors, including (i) the circumstances of such termination of employment and whether the management investor engages in certain proscribed competitive activities following employment, (ii) the length of time such units were held and (iii) the financial performance of NMH Investment over a certain specified time period. However, NMH Investment shall not be obligated to purchase any units at any time to the extent that the purchase of such units, or a payment to NMH Investment by one of its subsidiaries in order to fund such purchase, would result in a violation of law, a financing default or adverse accounting consequences, or if a financing default exists which prohibits such purchase or payment. From time to time, NMH Investment may enter into additional management subscription agreements with the management investors or additional members of management pursuant to which it may issue additional units.

**Director Unit Subscription Agreements**

In connection with her election to our board of directors in December 2008, Pamela F. Lenehan entered into a Director Unit Subscription Agreement with NMH Investment. Ms. Lenehan subscribed for specified amounts of Preferred Units, Class A Common Units and Class E Common Units of NMH Investment for an aggregate purchase price of \$125,159. These units were issued to Ms. Lenehan in January 2009. In connection with his election to our board of directors in December 2009, Guy Sansone was offered the opportunity to subscribe for 3,187 Class E Common Units of NMH Investment for an aggregate purchase price of \$159.35. These units were issued to Mr. Sansone in September 2010.

**Securityholders Agreement**

On September 16, 2014, NMH Investment entered into an Amended and Restated Securityholders Agreement (the Securityholders Agreement) among NMH Investment, Vestar, an affiliate of Vestar, the management and director investors and any future parties to such agreement as amended (collectively, the Securityholders).

The Securityholders Agreement provides that the Securityholders will vote all of their units to elect and continue in office a management committee of NMH Investment composed of: (a) up to three designees of Vestar; and (b) one designee of the employee investors.

In addition, each Securityholder has agreed, subject to certain limited exceptions, that he or she will vote all of his units as directed by Vestar in connection with amendments to NMH Investment's organizational documents, mergers or other business combinations, the disposition of all or substantially all of NMH Investment's property and assets,

reorganizations, recapitalizations or the liquidation, dissolution or winding up of NMH Investment.

The Securityholders Agreement provides (i) NMH Investment has a right of first refusal with respect to proposed transfers of securities of NMH Investment by the employee investors, (ii) the management with tag-along rights with respect to transfers of securities beneficially owned by Vestar, its partners or their transferees, (iii) Vestar with take-along rights with respect to securities owned by the investors in a sale of a majority of the

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equity or voting interests of NMH Investment, NMH Holdings, LLC or certain of their holding company subsidiaries, or in a sale of all or substantially all of the assets of NMH Investment and its subsidiaries and (iv) the employee investors who own Preferred Units or Class A Common Units with certain participation rights in issuances of new Preferred Units or Common Units by NMH Investment to Vestar and its affiliates. In addition, Vestar has certain rights to require NMH Investment (or its successors) to register securities held by the Securityholders under the Securities Act of 1933, as amended (the Securities Act ) up to eight times, and Vestar and the other Securityholders have certain rights to participate in publicly registered offerings of NMH Investment's common equity initiated by NMH Investment or other third parties; provided that Vestar and the other Securityholders will not have registration rights with respect to registrable securities under the Securityholder Agreement if such Securityholder has registration rights under the registration rights agreement described below under Registration Rights Agreement with respect to such securities.

**Director Nominating Agreement**

On September 16, 2014, we entered into a director nominating agreement with NMH Investment, which contains provisions relating to nominations for the election of directors. The director nominating agreement provides that NMH Investment or affiliates of Vestar will have the right to nominate: (i) eight of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 40% of the total voting power of Civitas; (ii) seven of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 35% of the total voting power of Civitas; (iii) six of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 30% of the total voting power of Civitas; (iv) five of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 25% of the total voting power of Civitas; (v) four of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 20% of the total voting power of Civitas; (vi) three of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 15% of the total voting power of Civitas; (vii) two of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 10% of the total voting power of Civitas; (viii) one of nine directors so long as NMH Investment and affiliates of Vestar collectively own at least 5% of the total voting power of Civitas. In each case we will agree to take certain actions to support those nominees for election and include the nominees in the proxy statements for the stockholders meetings at which directors are to be elected.

**Registration Rights Agreement**

On September 16, 2014, we entered into a registration rights agreement with NMH Investment. Pursuant to the registration rights agreement, NMH Investment is entitled to request that we register the shares of our common stock held by NMH Investment on a long-form or short-form registration statement on one or more occasions in the future, which registrations may be shelf registrations. NMH Investment is also entitled to participate in certain registered offerings by us, subject to the terms and conditions in the registration rights agreement. We will pay NMH Investment's expenses in connection with NMH Investment's exercise of these rights. The registration rights described in this paragraph apply to (i) shares of our common stock held by NMH Investment as of the closing of our IPO and (ii) any of our capital stock (or that of our subsidiaries) issued or issuable with respect to the common stock described in clause (i) with respect to any dividend, distribution, recapitalization, reorganization, or certain other corporate transactions ( Registrable Securities ). These registration rights are also for the benefit of any subsequent holder of Registrable Securities. However, any particular securities will cease to be Registrable Securities when they have been sold in a registered public offering, sold in compliance with Rule 144 of the Securities Act or repurchased by us or our subsidiaries. In addition, with our consent and the consent of the holders of a majority of Registrable Securities, any Registrable Securities held by a person other than Vestar Capital Partners V, L.P. and its affiliates will cease to be Registrable Securities if they can be sold without limitation under Rule 144 of the Securities Act.

**Management Agreement**

Prior to the completion of our IPO in September 2014, Vestar and NMHI were parties to a management agreement relating to certain advisory and consulting services rendered by Vestar. In consideration of those

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services, Vestar earned an aggregate per annum management fee equal to the greater of (i) \$850,000 or (ii) an amount per annum equal to 1.00% of NMHI's consolidated earnings before depreciation, amortization, interest and taxes for each fiscal year before deduction of Vestar's fee, determined as set forth in NMHI's senior credit agreement. NMHI also agreed to indemnify Vestar and its affiliates from and against all losses, claims, damages and liabilities arising out of the performance by Vestar of its services pursuant to the management agreement. The management agreement provided for the payment of reasonable and customary transaction advisory fees to Vestar for services in connection with our IPO; provided that such fees were paid pursuant to the consent of the directors of NMHI who are not affiliated with or employed by Vestar.

Pursuant to the management agreement, NMHI paid Vestar annual fees of \$1.3 million, \$1.4 million and \$1.4 million in the fiscal years ended September 30, 2012, 2013 and 2014, respectively. In connection with our IPO on September 16, 2014, we paid Vestar a transaction advisory fee of \$8.0 million, which was approved by a majority of our directors who are not affiliated with or employed by Vestar. The management agreement terminated on September 16, 2014 upon completion of our IPO.

**Indemnification Agreements**

On or about September 17, 2014, we entered into amended indemnification agreements with each of our directors and executive officers. Under the indemnification agreements, directors and executive officers are indemnified against certain expenses, judgments and other losses resulting from involvement in legal proceedings arising from service as a director or executive officer. Civitas will advance expenses incurred by directors or executive officers in defending against such proceedings, and indemnification is generally not available for proceedings brought by an indemnified person (other than to enforce his or her rights under the indemnification agreement). If an indemnified person elects or is required to pay all or any portion of any judgment or settlement for which Civitas is jointly liable, Civitas will contribute to the expenses, judgments, fines and amounts paid in settlement incurred by the indemnified person in proportion to the relative benefits received by Civitas (and its officers, directors and employees other than the indemnified person) and the indemnified person, as may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of NMHI (and its officers, directors and employees other than the indemnified person) and the indemnified person in connection with the events that resulted in such losses, as well as any other equitable considerations which the law may require to be considered. NMHI is a guarantor of Civitas' obligations under this agreement.

**Policies and Procedures for Related Party Transactions**

In connection with our IPO, we adopted a policy which provides that our Audit Committee is responsible for reviewing and approving or ratifying related party transactions. For purposes of the policy, a related party transaction means a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which Civitas was, is or will be a participant and the amount involved will or may be expected to exceed \$120,000, and in which our executive officers, directors, director nominees or any stockholder beneficially owning in excess of five percent of our stock (each, a related party) had, has or will have a direct or indirect material interest (including any transactions requiring disclosure under Item 404 of Regulation S-K). Any related party who intends to enter into a related party transaction shall promptly disclose that intention and all material facts with respect to such transaction to our Chief Legal Officer. The Chief Legal Officer will then promptly communicate that information to the Audit Committee of the Board. The Audit Committee will review all related party transactions and approve such transactions (subject to a delegation of authority as provided in the policy). In determining whether to approve or ratify a related party transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than the terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the

transaction. It is our policy that directors interested in a related party transaction will recuse themselves from any such vote.

**Table of Contents****Stock Ownership Information****Beneficial Ownership of Civitas Common Stock**

The following table shows information about the beneficial ownership of our common stock as of January 2, 2015 by:

each person known by us to beneficially own 5% or more of our outstanding common stock;

each of our directors and NEOs; and

all of our directors and executive officers as a group.

The numbers (including percentages) listed below are based on 36,950,000 shares of our common stock outstanding as of January 2, 2015.

<b>Name of Beneficial Owner (1)</b>	<b>Shares Beneficially Owned</b>	<b>Percent of Stock Outstanding</b>
<b>Principal Stockholders:</b>		
NMH Investment LLC (2)(3)	25,250,000	68%
FMR LLC (4)	5,542,500	15%
<b>Directors and Named Executive Officers:</b>		
Edward M. Murphy		
Bruce F. Nardella		
Denis M. Holler		
Neil D. Brendmoen		
Jeffrey M. Cohen		
Chris A. Durbin (5)		
James L. Elrod, Jr. (5)		
Patrick M. Gray		
Pamela F. Lenehan		
Kevin A. Mundt (5)		
Guy Sansone		
Gregory T. Torres		
All directors and executive officers as a group		
(18 persons)		

(1) A beneficial owner of a security is determined in accordance with Rule 13d-3 under the Exchange Act and generally means any person who, directly or indirectly, through any contract, arrangement, understanding,

relationship, or otherwise, has or shares:

voting power which includes the power to vote, or to direct the voting of, such security; and/or

investment power which includes the power to dispose, or to direct the disposition of, such security.

- (2) The address for NMH Investment is c/o Vestar Capital Partners, Inc., 245 Park Avenue, 41st Floor, New York, New York 10167.
- (3) Although our executive officers, Edward M. Murphy, Bruce F. Nardella, Denis M. Holler, Neil D. Brendmoen, David M. Petersen, Jeffrey M. Cohen, Linda De Renzo, Kathleen Federico, Dwight D. Robson, Gerald J. Morrissey, Jr., and Robert M. Melia, and two of our directors, Pamela F. Lenehan and Guy Sansone, do not have voting or dispositive power over the securities held by NMH Investment, each owns securities of NMH Investment with varying rights to participate in distributions by NMH Investment. Although these securities do not directly translate to an indirect percentage ownership interest of Civitas, NMH Investment estimates that Mr. Murphy, Mr. Nardella, Mr. Holler, Mr. Brendmoen, Mr. Petersen, Mr. Cohen, Ms. De Renzo, Ms. Federico, Mr. Robson, Mr. Morrissey, Mr. Melia, Ms. Lenehan and Mr. Sansone, would be entitled to approximately 3.1%, 2.0%, 1.5%, 0.3%, 1.2%, 0.2%, 0.9%, 0.8%, 0.7%, 0.1%, 1.0%, 0.1% and less than 0.1%, respectively, of the distributions of NMH Investment. These percentages (i) are calculated as of January 2, 2015, (ii) are based on the closing price of our common stock of \$15.62 per share on September 30, 2014 and (iii) assume the Class H Common Units of NMH Investment issued to management vest and (iv) exclude the unvested options and restricted stock units held by those individuals.
- (4) Based on Form 13G filed by FMR LLC on October 10, 2014. The address of FMR LLC is 245 Summer Street, Boston, MA 02210.
- (5) Messrs. Elrod, Mundt and Durbin are Managing Directors of Vestar. Each of Messrs. Elrod, Mundt and Durbin disclaims beneficial ownership of any units of NMH Investment beneficially owned by Vestar, except to the extent of his indirect pecuniary interest therein.



**Table of Contents****Beneficial Ownership of NMH Investment's Equity**

Civitas is a wholly owned subsidiary of NMH Investment, whose members include funds affiliated with Vestar and certain members of management. The following table shows information about the beneficial ownership of NMH Investment's equity, as of January 2, 2015, by funds affiliated with Vestar, each of our directors and NEOs. The respective percentages of beneficial ownership of Preferred Units, Class A Common Units, Class B Common Units, Class C Common Units, Class D Common Units, Class E Common Units, Class F Common Units, Class G Common Units and Class H Common Units is based on 1,771,517.5 Preferred Units of NMH Investment, 7,344,831.97 Class A Common Units of NMH Investment, 127,774.92 Class B Common Units of NMH Investment, 134,083.72 Class C Common Units of NMH Investment, 250,478.53 Class D Common Units of NMH Investment, 6,375 Class E Common Units of NMH Investment, 4,414,405.83 Class F Common Units of NMH Investment, 125,000 Class G Common Units of NMH Investment and 1,100,000 Class H Common Units of NMH Investment outstanding as of January 2, 2015.

Beneficial Owner (1)	Preferred Units		Class A Common Units		Class B Common Units		Class C Common Units		Class D Common Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Principal Stockholder:</b>										
Funds affiliated with Vestar (3)	1,728,137	97.55%	6,918,627	94.2%						
<b>Directors and Named Executive Officers:</b>										
M. Murphy	13,000	.73%	130,000	1.77%	7,401.63	5.79%	7,766.90	5.79%	33,585.96	11.1%
M. Nardella	3,000	.17%	30,000	.41%	7,401.63	5.79%	7,766.90	5.79%	29,213.95	11.1%
M. Holler	4,016.85	.23%	40,168.52	.55%	7,401.63	5.79%	7,766.90	5.79%	29,213.95	11.1%
M. Grendmoen	1,743.64	.10%	17,436.45	.24%	2,406.25	1.88%	2,525.00	1.88%	2,675.00	1.0%
M. Cohen										
M. Durbin (4)										
M. Elrod, Jr. (4)										
M. Gray										
M. Lenehan	975	.06%	2,750	.04%						
M. Mundt (4)										
M. Stone										
M. T. Torres	2,500	.14%	25,000	.34%						
Directors and executive officers as a group (18 persons)	25,235.49	1.42%	245,354.97	3.34%	24,611.14	19.26%	25,825.70	19.26%	94,688.86	37.7%

Name of Beneficial Owner (1)	Class E Common Units		Class F Common Units		Class G Common Units		Class H Common Units	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage

<b>Principal Stockholder:</b>								
Funds affiliated with Vestar (2)(3)								
<b>Directors and Named Executive Officers:</b>								

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Edward M. Murphy	701,245.51	15.95%			200,000	18.18%
Bruce F. Nardella	555,617.52	12.63%			250,000	22.73%
Denis M. Holler	355,617.52	8.09%			150,000	13.64%
Neil D. Brendmoen	47,393.75	1.08%	10,000	8.0%		
Jeffrey M. Cohen	100,000	2.27%	10,000	8/0%		
Chris A. Durbin (4)						
James L. Elrod, Jr. (4)						
Patrick M. Gray						
Pamela F. Lenehan	3,188	50.01%				
Kevin A. Mundt (4)						
Guy Sansone	3,187	49.99%				
Gregory T. Torres						
All directors and executive officers as a group (18 persons)	6,375	100%	1,759,874.30	40.02%	20,000.00	16.00%
					600,000	54.55%

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- (1) A beneficial owner of a security is determined in accordance with Rule 13d-3 under the Exchange Act and generally means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares:

voting power which includes the power to vote, or to direct the voting of, such security; and/or

investment power which includes the power to dispose, or to direct the disposition of, such security. In computing the number of securities beneficially owned by a person and the percentage ownership of that person, securities that the person currently has the right to acquire within 60 days of September 2, 2014 are deemed outstanding. Such securities, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person.

- (2) The address for Vestar Capital Partners V, L.P. is c/o Vestar Capital Partners, Inc., 245 Park Avenue, 41st Floor, New York, New York 10167.
- (3) Includes 1,727,280 Preferred Units and 6,915,196 Class A Common Units held by Vestar Capital Partners V, L.P. (the Fund), and 857 Preferred Units and 3,431 Class A Common Units held by Vestar/NMH Investors, LLC (Vestar/NMH). Vestar Associates V, L.P. (Vestar Associates V) is the general partner of the Fund and the managing member of Vestar/NMH, and has voting and investment power over the securities held or controlled by the Fund and Vestar/NMH. Vestar Managers V, Ltd. (VMV) is the general partner of Vestar Associates V. Daniel S. O'Connell is the sole director of VMV and as a result he may be deemed to have beneficial ownership of the shares owned by the Fund and Vestar/NMH. Each of Vestar Associates V, VMV and Mr. O'Connell disclaims beneficial ownership of any securities beneficially owned by the Fund and Vestar/NMH, except to the extent of their respective pecuniary interest therein. The address of the Fund, Vestar/NMH, Vestar Associates, VMV and Mr. O'Connell is 245 Park Avenue, 41st Floor, New York, NY 10167.
- (4) Messrs. Elrod, Mundt and Durbin are Managing Directors of Vestar. Each of Messrs. Elrod, Mundt and Durbin disclaims beneficial ownership of any shares beneficially owned by the Fund, except to the extent of his indirect pecuniary interest therein.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, our executive officers and beneficial owners of more than ten percent of Civitas common stock to file with the SEC reports of their initial ownership and changes in their ownership of Civitas common stock and other equity securities. We are required to disclose in this proxy statement any late filings of such reports. Based solely on a review of copies of reports filed by the reporting persons furnished to us, or written representations from reporting persons, we believe that the reporting persons complied with all Section 16(a) filing requirements on a timely basis during fiscal 2014.



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**Audit Committee**

**Audit Committee Report**

The Audit Committee of the Board of Directors is primarily responsible for assisting the Board in fulfilling its oversight responsibility with respect to our financial accounting and reporting, systems of internal control, audit process and monitoring compliance with laws and regulations and standards of business conduct. The Board has adopted a written charter for the Audit Committee. Management has responsibility for preparing our financial statements as well as for our financial reporting process. Deloitte & Touche LLP, acting as independent registered public accounting firm, is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles in the United States.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2014 with management.
2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.
3. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm the firm's independence.
4. Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended September 30, 2014 for filing with the SEC.

*Audit Committee*

Pamela F. Lenehan (Chair)

Chris A. Durbin

Patrick M. Gray

**Table of Contents****Independent Registered Public Accounting Firm Fees and Services**

The following table sets forth the aggregate fees billed to us by Deloitte & Touche LLP, our independent registered public accounting firm, in fiscal 2014 and fiscal 2013:

<b>Services Rendered</b>	<b>Fees (in thousands)</b>	
	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>
Audit Fees (1)	\$ 2,131	\$ 1,190
Tax Fees (2)	\$ 34	\$ 33
<b>Total</b>	<b>\$ 2,165</b>	<b>\$ 1,223</b>

(1) Audit Fees for fiscal 2014 and fiscal 2013 consist of fees paid for professional services necessary to perform an audit of the financial statements, a review of the quarterly and annual reports and statutory audits, IPO -related services and other services required to be performed by our independent auditors.

(2) Tax fees primarily include professional services rendered for tax services during the fiscal year indicated. We have a policy that requires the Audit Committee to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm and to consider whether the provision of non-audit services is compatible with maintaining the independence of our independent registered public accounting firm in deciding whether to approve non-audit services. All services performed by our independent registered public accounting firm in fiscal 2014 and fiscal 2013 were pre-approved in accordance with the policy.

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**Advisory Vote to Approve Named Executive Officer Compensation (Say-on-Pay)**

**(Proposal No. 2)**

We are seeking an advisory (non-binding) vote from our stockholders to approve the compensation of our named executive officers (our NEOs) for fiscal 2014 as disclosed in this proxy statement. For fiscal 2014, a meaningful portion of our NEOs' pay opportunity was variable (delivered through the combination of short-term and long-term incentive awards) where the value was linked to equity value and our achievement of performance targets. As a result, in fiscal 2014, Mr. Nardella received approximately 65% of his compensation in equity grants, 15% in salary and 16% in non-equity incentive compensation, Mr. Murphy received approximately 46% of his compensation in equity grants, 26% in salary and 23% in non-equity incentive compensation, Mr. Holler received approximately 25% in equity grants, 46% in base salary and 23% in non-equity incentive compensation, Mr. Brendmoen received approximately 67% in equity grants, 20% in salary and 11% in non-equity incentive compensation and Mr. Cohen received 58% in equity grants, 20% in salary and 13% in non-equity compensation.

The primary objectives of our executive compensation program are to:

attract and retain top executive talent;

achieve accountability for performance by linking annual cash incentive awards to achievement of measurable performance objectives; and

align executive officers with our stockholders, create an ownership culture, and drive long-term business success by providing opportunity for significant equity-based rewards.

In deciding how to vote on this proposal, we urge our stockholders to read the Compensation Discussion and Analysis section of this proxy statement, which describes in more detail our compensation objectives and elements of our executive compensation program, as well as the Summary Compensation Table and other related compensation tables and narrative, which provide detailed information on the compensation of our NEOs.

We are asking stockholders to approve, on an advisory basis, the compensation of our NEOs for fiscal 2014 as disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and related compensation tables, and the notes and narrative discussion following the compensation tables in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation program for our NEOs as described in this proxy statement.

Although this vote is non-binding, the Board and the Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote when making future decisions concerning executive compensation. Furthermore, stockholders are welcome to bring any specific concerns regarding executive compensation to the attention of the Board or the Compensation Committee at any time throughout the year. Please refer to Corporate Governance Communications with the Board in this proxy statement for information about communicating with the Board.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL.**





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**Advisory Vote on Frequency of Advisory Vote on Named Executive Officer Compensation**

**(Proposal No. 3)**

The SEC rules also enable our stockholders to indicate how frequently we should seek an advisory vote on the compensation of our named executive officers (our NEOs). By voting on this Proposal No. 3, stockholders may indicate whether they would prefer an advisory vote on NEO compensation once every 1 year, 2 years or 3 years (or you may abstain).

The Board recommends a vote for 1 year as the frequency of the advisory vote to approve NEO compensation. The Board has determined that holding an advisory vote to approve NEO compensation every year is the best approach for Civitas based on a number of considerations. These considerations include that this frequency aligns with the interests of stockholders, provides more consistent and direct communication and reflects sound corporate governance principles.

Although the advisory vote is non-binding, the Board will review the results of the vote and take them into account in making a determination concerning the frequency of advisory votes on NEO compensation. Stockholders who have concerns about executive compensation during the interval between advisory votes on NEO compensation are welcome to bring their specific concerns to the attention of the Board. Please refer to Corporate Governance Communications with the Board in this proxy statement for information about communicating with the Board.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR 1 YEAR AS THE FREQUENCY OF  
THE ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION.**

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**Ratification of Deloitte & Touche LLP as the Company's  
Independent Registered Public Accounting Firm for Fiscal 2015  
(Proposal No. 4)**

The Audit Committee has appointed Deloitte & Touche LLP, an independent registered public accounting firm, to serve as our independent auditor for fiscal 2015. Deloitte & Touche LLP served in this capacity for us in fiscal 2012, fiscal 2013 and fiscal 2014. As a matter of good corporate governance, the Audit Committee submits its selection of our independent auditor to our stockholders for ratification. If the stockholders fail to ratify the selection, the Audit Committee will review its future selection of an independent registered public accounting firm in light of that result. Even if stockholders ratify the selection, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during fiscal 2015 if it determines that such a change would be in the best interests of Civitas and our stockholders.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION  
OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015.**

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**Other Matters**

The Board of Directors knows of no other matters to be brought before the Annual Meeting. However, if other matters should come before the meeting, each of the persons named as a proxy will vote as recommended by the Board or, if no recommendation is given, in his or her discretion on such matters.

**Additional Information**

**Proxy Solicitation Expenses**

We will pay the expense of preparing, assembling, printing and mailing the proxy form and the form of material used in solicitation of proxies. We will reimburse banks, brokerage firms and others for their reasonable expenses in forwarding proxy materials to beneficial owners and obtaining their instructions. Officers and regular employees of the Company may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, facsimile or electronic means.

**Requirements for Inclusion of Stockholder Proposals in the 2016 Annual Meeting Proxy Statement**

Stockholders interested in submitting a proposal for inclusion in the proxy materials for the 2016 annual meeting of stockholders may do so by following the procedures prescribed in Rule 14a-8 of the Exchange Act. To be eligible for inclusion, stockholder proposals must be submitted in writing to the Secretary of Civitas Solutions, Inc. at 313 Congress Street, Boston, Massachusetts 02210 and must be received no later than December 15, 2015 unless the date of our 2016 annual meeting is changed by more than 30 days from March 6, 2016, in which case the proposal must be received a reasonable time before we begin to print and mail our proxy materials.

**Advance Notice Bylaw Requirements for Stockholder Proposals**

Our Bylaws require that any stockholders who intend to present an item of business, including nominees for candidates for election as directors, at the 2016 annual meeting must provide notice of such business to the Secretary of Civitas Solutions, Inc. at 313 Congress Street, Boston, Massachusetts 02210 between November 7, 2015 and the close of business on December 7, 2015. The notice must contain the information required by our Bylaws, which are posted on our website.

**Incorporation by Reference**

Neither the Compensation Committee Report nor the Audit Committee Report shall be deemed soliciting material or filed with the SEC and none of them shall be deemed incorporated by reference into any prior or future filings made by us under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate such information by reference. In addition, this document includes several website addresses. These website addresses are intended to provide inactive, textual references only. The information on these websites is not part of this document.



<b>The Board of Directors recommends you vote FOR the following:</b>	<table border="0"> <tr> <td style="padding-right: 10px;"><b>For All</b></td> <td style="padding-right: 10px;"><b>Withhold All</b></td> <td style="padding-right: 10px;"><b>For All Except</b></td> </tr> </table>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>			

- |                          |                    |                      |
|--------------------------|--------------------|----------------------|
| 1. Election of Directors |                    |                      |
| <b>Nominees</b>          |                    |                      |
| 01 Chris A. Durbin       | 02 Patrick M. Gray | 03 Bruce F. Nardella |

**The Board of Directors recommends you vote FOR the following proposal:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
--	------------	----------------	----------------

- |   |    |    |    |
|---|----|----|----|
| 2 An advisory, non-binding resolution with respect to our executive compensation. | .. | .. | .. |
|---|----|----|----|

**The Board of Directors recommends you vote 1 YEAR on the following proposal:**

	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>
--	---------------	----------------	----------------	----------------

- |   |    |    |    |    |
|---|----|----|----|----|
| 3 To recommend, by non-binding vote, the frequency of executive compensation votes. | .. | .. | .. | .. |
|---|----|----|----|----|

**The Board of Directors recommends you vote FOR the following proposal:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
--	------------	----------------	----------------

- |  |    |    |    |
|--|----|----|----|
| 4 Ratification of the appointment of Deloitte & Touche, LLP as the Company's Independent Public Accounting Firm for fiscal 2015. | .. | .. | .. |
|--|----|----|----|

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

For address change/comments, mark here. ..  
 (see reverse for instructions) **Yes** **No**

Please indicate if you plan to attend this meeting .. ..

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.



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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Combined Document, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**CIVITAS SOLUTIONS, INC**

**Annual Meeting of Stockholders**

**March 6, 2015 9:00 AM**

**This proxy is solicited by the Board of Directors**

The stockholder(s) hereby appoint(s) Bruce F. Nardella, Denis M. Holler, and Linda De Renzo or any of them, as proxies, each with the power to appoint (his/her) substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common stock of CIVITAS SOLUTIONS, INC. that the stockholder(s) is/are entitled to vote at the Annual Meeting of stockholder(s) to be held at 9:00 AM, EST on March 6, 2015, at the Civitas Solutions, Inc. Corporate Headquarters, 313 Congress Street, Fourth Floor, Boston, MA 02210, and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors recommendations.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**